



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

Unaudited Condensed Interim Financial Statements
For the six months period ended 30 June 2014

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	30.06.2014			31.12.2013				
	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
ASSETS								
Property, plant and equipment	1,510	-	-	1,510	2,401	-	-	2,401
Intangible assets	11,207	-	-	11,207	4,236	3	67	4,306
Investments	1,809,737	1,370,102	7,953,671	11,133,510	1,278,482	1,348,786	7,773,436	10,400,704
Financing receivables	21,001	-	5,202	26,203	20,970	-	7,309	28,279
Retakaful assets	-	245,730	25,846	271,576	-	205,298	15,817	221,115
Takaful receivables	-	105,725	177,830	283,555	-	66,097	140,019	206,116
Other receivables	73,347	13,963	92,563	130,299	263,036	19,094	76,808	125,553
Deferred tax assets	10,019	5,366	4,701	20,086	5,071	4,933	-	9,062
Qard receivable	36,684	-	-	-	36,684	-	-	-
Current tax assets	19,968	-	-	16,141	5,046	-	803	5,849
Cash and bank balances	24,245	36,106	53,586	113,937	45,166	52,673	89,822	187,661
Total assets	2,007,718	1,776,992	8,313,399	12,008,024	1,681,094	1,696,884	8,106,081	11,191,046
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS								
Equity								
Share capital	400,000	-	-	400,000	400,000	-	-	400,000
Reserves	845,834	-	-	845,834	814,099	-	-	814,099
Total equity	1,245,834	-	-	1,245,834	1,214,099	-	-	1,214,099
Liabilities and Participants' Funds								
Participants' funds	-	156,356	2,263,800	2,420,156	-	159,705	2,146,638	2,306,343
Takaful certificates liabilities	-	1,337,734	5,753,541	7,091,275	-	1,242,814	5,519,963	6,762,777
Expense liabilities	367,852	-	-	367,852	353,742	-	-	353,742
Subordinated sukuk	300,000	-	-	300,000	-	-	-	-
Qard payable	-	-	36,684	-	-	-	36,684	-
Deferred tax liabilities	-	-	-	-	-	-	942	-
Takaful payables	8,327	83,884	60,235	152,446	9,360	68,628	67,786	145,774
Other payables	84,514	199,018	195,312	429,270	103,893	225,737	334,066	408,311
Profit payable for subordinated sukuk	1,191	-	-	1,191	-	-	-	-
Current tax liabilities	-	-	3,827	-	-	-	-	-
Total liabilities and participants' funds	761,884	1,776,992	8,313,399	10,762,190	466,995	1,696,884	8,106,081	9,976,947
Total equity, liabilities and participants' funds	2,007,718	1,776,992	8,313,399	12,008,024	1,681,094	1,696,884	8,106,081	11,191,046

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached.

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)CONDENSED FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	6 months period ended 30.06.2014				6 months period ended 30.06.2013			
	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Operating revenue	269,396	544,704	759,899	1,335,335	332,538	469,333	1,077,817	1,566,443
Gross earned contributions	-	470,752	589,805	1,060,415	-	450,858	900,677	1,351,381
Earned contributions ceded to retakaful	-	(61,957)	(31,811)	(93,768)	-	(46,228)	(7,500)	(53,728)
Net earned contributions	-	408,795	557,994	966,647	-	404,630	893,177	1,297,653
Fee and commission income	238,523	7,567	541	8,108	312,891	6,447	1,617	8,054
Investment income	30,873	27,760	169,746	228,379	19,647	23,956	176,940	220,543
Realised gains	16,721	757	111,946	129,424	11,427	25,072	90,885	127,384
Fair value (losses)/gains	(53)	237	(41,041)	(40,857)	-	-	(27,923)	(27,923)
Other operating (expenses)/income, net	(1,300)	1,216	(3,734)	(3,818)	(588)	(466)	4,350	3,296
Other revenue	284,764	37,537	237,458	321,236	343,377	55,009	245,869	331,384
Gross benefits and claims paid	-	(237,041)	(267,251)	(504,292)	-	(298,946)	(426,413)	(725,359)
Claims ceded to retakaful	-	12,074	6,155	18,229	-	75,578	4,699	80,277
Gross change to certificate liabilities	-	(48,728)	(238,892)	(493,899)	-	66,273	(153,170)	(476,722)
Change in certificate liabilities ceded to retakaful	-	31,638	10,028	41,666	-	(98,007)	(3,128)	(101,135)
Net benefits and claims	-	(242,057)	(489,960)	(938,296)	-	(255,102)	(578,012)	(1,224,939)
Management expenses	(124,782)	(438)	(19,510)	(144,588)	(114,353)	(470)	(16,267)	(130,936)
Change in expense liabilities	(14,110)	-	-	(14,110)	(28,619)	-	-	(26,619)
Fee and commission expenses	(101,556)	(120,386)	(112,828)	(96,247)	(132,049)	(112,580)	(221,789)	(153,527)
Profit on subordinated sukuk	(1,191)	-	-	(1,191)	-	-	-	-
Tax borne by participants	-	371	(13,144)	(12,773)	-	7,520	6,285	13,805
Other expenses	(241,639)	(120,453)	(145,482)	(288,909)	(273,021)	(105,530)	(231,771)	(297,277)
Operating profit before surplus transfers	43,125	83,822	160,010	80,678	70,356	99,007	329,263	106,801
Surplus attributable to participants	-	(46,269)	(160,010)	-	-	(82,562)	(328,263)	-
Surplus attributable to shareholders	37,553	(37,553)	-	-	36,445	(36,445)	-	-
Profit before taxation	80,678	-	-	80,678	106,801	-	-	106,801
Taxation	(34,084)	-	-	(34,084)	(48,335)	-	-	(48,335)
Zakat	(3,494)	-	-	(3,494)	(3,436)	-	-	(3,436)
Net profit for the period	43,100	-	-	43,100	55,030	-	-	55,030
Basic earnings per share (sen)	10.77	-	-	10.77	55.00	-	-	55.00

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached.

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ETIQA TAKAFUL BERHAD
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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	6 months period ended 30.06.2014			6 months period ended 30.06.2013				
	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Net profit for the period	43,100	-	-	43,100	55,030	-	-	55,030
Other comprehensive income/(loss):								
Item that may be subsequently reclassified to income statement								
Net gains/(losses) on AFS financial assets:								
Gains on fair value changes	1,567	511	61,231	63,309	9,790	11,480	74,725	95,995
Realised gains transferred to income statement	(16,721)	(757)	(104,668)	(122,146)	(11,427)	(25,072)	(74,338)	(110,837)
Tax effects relating to components of other comprehensive income	3,789	62	2,965	6,816	409	-	-	409
Other comprehensive income/(loss) attributable to participants	-	184	40,472	40,656	-	13,592	(387)	13,205
Other comprehensive loss for the period, net of tax	(11,365)	-	-	(11,365)	(1,228)	-	-	(1,228)
Total comprehensive income for the period	31,735	-	-	31,735	53,802	-	-	53,802

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached.

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**CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014**

	Attributable to Equity Holder of the Company				Total Equity RM'000
	Share Capital RM'000	Non-Distributable Available-for-sale Reserve RM'000	Retained Profits RM'000	Distributable	
At 1 January 2014	400,000	(19,602)	833,701		1,214,099
Total comprehensive income for the period	-	(11,365)	43,100		31,735
At 30 June 2014	400,000	(30,967)	876,801		1,245,834
At 1 January 2013	100,000	14,119	645,177		759,296
Total comprehensive income for the period	-	(1,228)	55,030		53,802
At 30 June 2013	100,000	12,891	700,207		813,098

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached.

CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	6 months period ended 30.06.2014 RM'000	6 months period ended 30.06.2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	80,678	106,801
Adjustments for:		
Depreciation of property and equipment	353	606
Amortisation of intangible assets	1,499	2,653
Fair value losses on investments	40,857	27,923
Realised gains on disposal of investments	(129,423)	(127,383)
Unrealised gains on foreign exchange	-	(154)
Realised losses on foreign exchange	-	27
Impairment losses/(reversal of impairment losses) on:		
Investments	8,692	7,719
Takaful receivables	(2,671)	(4,686)
Other receivables	287	40
Financing receivables	(2,070)	(6,860)
Profit income	(209,476)	(205,793)
Profit on subordinated sukuk	1,191	-
Gross dividend income	(20,956)	(17,858)
Accretion of discounts	1,424	2,608
Increase/(decrease) in net contribution liabilities	37,398	(10,830)
Surplus transferred from general takaful fund	46,269	62,562
Surplus transferred from family takaful fund	160,010	329,263
Operating cash flows before working capital changes	<u>14,062</u>	<u>166,638</u>
Changes in working capital:		
Proceeds from sale of investments	3,016,420	2,590,853
Purchase of investments	(3,872,127)	(3,192,886)
Increase in takaful receivables	(74,768)	(67,706)
Decrease in other receivables	9,967	25,847
Decrease in other payables	(7,408)	(63,769)
Increase in expense liabilities	14,110	26,619
Increase in takaful payables	6,674	6,595
Decrease in financing receivables	4,146	8,916
Decrease in placements of deposits with financial institutions	142,517	214,725
(Increase)/decrease in retakaful assets	(41,667)	98,007
Increase in takaful certificate liabilities	282,306	92,033
Operating cash flows after working capital changes	<u>(505,768)</u>	<u>(94,128)</u>

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CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CASH FLOWS (CONT'D.)
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014

	6 months period ended 30.06.2014 RM'000	6 months period ended 30.06.2013 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)		
Profit income received	210,563	194,348
Gross dividend income received	21,526	14,966
Zakat paid	(2,387)	(7,337)
Taxation paid	(61,354)	(46,529)
Tax refund	-	18,643
Mudharabah paid to participants	(28,442)	(23,569)
Net cash flows (used in)/generated from operating activities	<u>(365,862)</u>	<u>56,394</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of subordinated sukuk	300,000	-
Net cash flows generated from financing activities	<u>300,000</u>	<u>-</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds on sale of property, plant and equipment	3	-
Purchase of intangible assets	(7,831)	(3,151)
Purchase of property, plant and equipment	(34)	(665)
Net cash flows used in investing activities	<u>(7,862)</u>	<u>(3,816)</u>
Net (decrease)/increase in cash and cash equivalents	(73,724)	52,578
Cash and cash equivalents at beginning of period	187,661	76,767
Cash and cash equivalents at end of period	<u>113,937</u>	<u>129,345</u>
Cash and cash equivalents comprise:		
Cash and bank balances of:		
Shareholder's fund	24,245	20,530
General takaful fund	36,106	73,535
Family takaful fund	53,586	35,280
	<u>113,937</u>	<u>129,345</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2014**

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board, Guidelines/Circulars issued by Bank Negara Malaysia and Islamic Financial Services Act 2013.

In accordance with the Islamic Financial Services Act 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 condensed 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 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 condensed 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 2013.

The significant accounting policies adopted in this set of interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2013 except for the adoption of the following MFRSs, Amendments to MFRSs and Issues Committee ("IC") Interpretations:

MFRSs/ Amendments/Interpretations	Effective date
MFRS 10 Consolidated Financial Statements - Investment Entities (Amendments to MFRS 10)	1 January 2014
MFRS 12 Disclosure of Interest in Other Entities - Investment Entities (Amendments to MFRS 12)	1 January 2014
MFRS 127 Separate Financial Statements - Investment Entities (Amendments to MFRS 127)	1 January 2014

1. BASIS OF PREPARATION (CONT'D.)

MFRSs/ Amendments/Interpretations	Effective date
MFRS 132 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)	1 January 2014
MFRS 136 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments to MFRS 136)	1 January 2014
MFRS 139 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to MFRS 139)	1 January 2014
IC Interpretation 21, Levies	1 January 2014

The adoption of the above amendments to MFRSs and IC interpretation would not have any material impact to the Company's financial performance.

2. STATUS OF AUDIT QUALIFICATION

The auditor's report on the audited financial statements of the financial year ending 31 December 2013 was not qualified.

3. SEASONALITY OR CYCLICALITY OF OPERATIONS

The operations of the Company was not materially affected by any seasonal or cyclical factors during the six months period ended 30 June 2014.

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.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the six months period ended 30 June 2014.

5. CHANGES IN ESTIMATES

There was no change in estimates of amounts reported in prior financial periods that has a material effect in the condensed interim financial statements.

6. ISSUES, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

On 30 May 2014, the Company issued RM300,000,000 nominal value Tier 2 Subordinated Sukuk Musharakah ("Sukuk") under the Shariah Principle of Musharakah. The Sukuk carries a tenure of ten (10) years from issue date on 10 non-callable 5 basis, with profit rate of 4.52% per annum payable semi-annually in arrears in May and November each year, and is due in May 2024.

The Company may, subject to the prior consent of BNM, redeem the Sukuk on any semi-annual distribution date on or after the fifth (5th) anniversary from the issue date. Should the Company decide not to exercise its option to redeem the Sukuk, the Sukuk shall continue to be outstanding until the final maturity date.

7. DIVIDENDS PAID

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

8. 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 condensed interim financial statements.

9 CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company from the previous audited financial statements.

10. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2014				
Malaysian government papers	60,840	533,587	703,702	1,298,129
Unquoted debt securities in Malaysia	1,319,100	739,635	4,953,656	7,012,391
Equity securities:				
Quoted in Malaysia	162,130	24,571	1,534,801	1,721,502
Quoted unit and property trust funds in Malaysia	2,100	-	14,087	16,187
Investment-linked units	11,025	-	-	11,025
Structured products	23,603	18,494	119,319	161,416
Negotiable Islamic certificates of deposit	-	9,317	121,055	130,372
Deposit with financial institutions	230,939	44,498	507,051	782,488
	<u>1,809,737</u>	<u>1,370,102</u>	<u>7,953,671</u>	<u>11,133,510</u>
31.12.2013				
Malaysian government papers	2,003	321,910	1,201,088	1,525,001
Unquoted debt securities in Malaysia	985,257	655,980	4,786,824	6,428,061
Equity securities:				
Quoted in Malaysia	150,195	24,725	1,025,903	1,200,823
Unquoted in Malaysia	32	-	-	32
Quoted unit and property trust funds in Malaysia	2,352	-	30,156	32,508
Structured products	23,775	18,342	118,887	161,004
Negotiable Islamic certificates of deposit	-	9,176	119,096	128,272
Deposit with financial institutions	114,868	318,653	491,482	925,003
	<u>1,278,482</u>	<u>1,348,786</u>	<u>7,773,436</u>	<u>10,400,704</u>

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10. INVESTMENTS (CONT'D)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2014				
Available-for-sale ("AFS")	1,580,958	1,329,088	3,167,533	6,077,579
Designated upon initial recognition as Fair Value Through Profit or Loss ("FVTPL")	(2,160)	(3,484)	4,269,622	4,263,978
Held for Trading ("HFT")	-	-	9,465	9,465
Loans and receivables ("LAR")	230,939	44,498	507,051	782,488
	<u>1,809,737</u>	<u>1,370,102</u>	<u>7,953,671</u>	<u>11,133,510</u>
31.12.2013				
Available-for-sale ("AFS")	1,165,722	1,033,854	2,657,088	4,856,664
Designated upon initial recognition as Fair Value Through Profit or Loss ("FVTPL")	(2,108)	(3,721)	4,624,866	4,619,037
Loans and receivables ("LAR")	114,868	318,653	491,482	925,003
	<u>1,278,482</u>	<u>1,348,786</u>	<u>7,773,436</u>	<u>10,400,704</u>

The following investments mature after 12 months :

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2014				
AFS	1,403,542	1,291,665	1,616,986	4,312,193
FVTPL	-	-	4,162,347	4,162,347
	<u>1,403,542</u>	<u>1,291,665</u>	<u>5,779,333</u>	<u>8,474,540</u>
31.12.2013				
AFS	980,218	976,711	1,592,940	3,549,869
FVTPL	-	-	4,556,526	4,556,526
	<u>980,218</u>	<u>976,711</u>	<u>6,149,466</u>	<u>8,106,395</u>

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10. INVESTMENTS (CONT'D)

(i) Available-for-sale ("AFS")

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2014				
<u>At fair value:</u>				
Malaysian government papers	60,840	533,587	150,738	745,165
Unquoted debt securities in Malaysia	1,319,100	739,635	1,451,697	3,510,432
Equity securities:				
Quoted in Malaysia	162,130	24,571	1,533,818	1,720,519
Quoted unit and property trust funds in Malaysia	2,100	-	14,087	16,187
Investment-linked units *	11,025	-	-	11,025
Structured products	25,763	21,978	-	47,741
Negotiable Islamic certificates of deposit	-	9,317	17,193	26,510
	<u>1,580,958</u>	<u>1,329,088</u>	<u>3,167,533</u>	<u>6,077,579</u>
31.12.2013				
<u>At fair value:</u>				
Malaysian government papers	2,003	321,910	245,021	568,934
Unquoted debt securities in Malaysia	985,257	655,980	1,339,095	2,980,332
Equity securities:				
Quoted in Malaysia	150,195	24,725	1,025,903	1,200,823
Unquoted in Malaysia	32	-	-	32
Quoted unit and property trust funds in Malaysia	2,352	-	30,156	32,508
Structured products	25,883	22,063	-	47,946
Negotiable Islamic certificates of deposit	-	9,176	16,913	26,089
	<u>1,165,722</u>	<u>1,033,854</u>	<u>2,657,088</u>	<u>4,856,664</u>

* relates to the recoverable seed money of RM11,000,000 pertaining to the Prima Income Takaful Fund and Prima Ekuiti Takaful Fund, takaful-linked funds managed by the Company.

10. INVESTMENTS (CONT'D)

(ii) Designated upon initial recognition as Fair Value Through Profit or Loss ("FVTPL")

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2014				
<u>At fair value:</u>				
Malaysian government papers	-	-	549,061	549,061
Unquoted debt securities in Malaysia	-	-	3,497,380	3,497,380
Structured products	(2,160)	(3,484)	119,319	113,675
Negotiable Islamic certificates of deposit	-	-	103,862	103,862
	<u>(2,160)</u>	<u>(3,484)</u>	<u>4,269,622</u>	<u>4,263,978</u>
31.12.2013				
<u>At fair value:</u>				
Malaysian government papers	-	-	956,067	956,067
Unquoted debt securities in Malaysia	-	-	3,447,729	3,447,729
Structured products	(2,108)	(3,721)	118,887	113,058
Negotiable Islamic certificates of deposit	-	-	102,183	102,183
	<u>(2,108)</u>	<u>(3,721)</u>	<u>4,624,866</u>	<u>4,619,037</u>

(iii) Held for Trading ("HFT")

	Family takaful fund RM'000	Company RM'000
30.06.2014		
<u>At fair value:</u>		
Malaysian government papers	3,903	3,903
Unquoted debt securities in Malaysia	4,579	4,579
Equity securities: Quoted in Malaysia	983	983
	<u>9,465</u>	<u>9,465</u>

10. INVESTMENTS (CONT'D)

(iii) Held for Trading ("HFT") (cont'd)

	Family takaful fund RM'000	Company RM'000
31.12.2013		
<u>At fair value:</u>		
Equity securities:		
Quoted in Malaysia	-	-
Foreign notes	-	-
	<u>-</u>	<u>-</u>

(iv) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2014				
Deposits and placements with financial institutions				
Islamic investment accounts with licensed financial institutions	<u>230,939</u>	<u>44,498</u>	<u>507,051</u>	<u>782,488</u>
	<u>230,939</u>	<u>44,498</u>	<u>507,051</u>	<u>782,488</u>
31.12.2013				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	110,251	292,121	439,673	842,045
Others	4,617	26,532	51,809	82,958
	<u>114,868</u>	<u>318,653</u>	<u>491,482</u>	<u>925,003</u>

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

Included in the AFS financial assets are assets pledged to obtain a banking facility from Maybank Islamic Berhad which amounted to RM3,000,000 (31.12.2013: RM3,000,000).

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 17.

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11. PARTICIPANTS' FUND

	30.06.2014	31.12.2013
	RM'000	RM'000
Takaful funds and Company		
General takaful fund (Note (a))	156,356	159,705
Family takaful fund (Note (b))	2,263,800	2,146,638
	<u>2,420,156</u>	<u>2,306,343</u>

	30.06.2014	31.12.2013
	RM'000	RM'000
(a) General takaful fund		
Accumulated surplus (Note (i))	182,547	185,712
AFS reserves (Note (ii))	(26,191)	(26,007)
	<u>156,356</u>	<u>159,705</u>

	30.06.2014	31.12.2013
	RM'000	RM'000
(i) Accumulated surplus		
At beginning of period/year	185,712	90,922
Surplus transferred from general takaful fund during the period/year	46,269	129,149
Hibah paid to participants during the period/year	(49,434)	(34,359)
At end of period/year	<u>182,547</u>	<u>185,712</u>

	30.06.2014	31.12.2013
	RM'000	RM'000
(ii) AFS reserves		
At beginning of period/year	(26,007)	32,250
Net gain on fair value changes	511	(5,508)
Deferred tax on fair value changes	62	8,669
Realised gain transferred to income statement	(757)	(61,418)
At end of period/year	<u>(26,191)</u>	<u>(26,007)</u>

11. PARTICIPANTS' FUND (CONT'D.)

	30.06.2014	31.12.2013
	RM'000	RM'000
(b) Family takaful fund		
Accumulated surplus (Note (i))	2,204,334	2,046,700
Surplus attributable to participants (Note (ii))	10,852	10,852
AFS reserves (Note (iii))	48,614	89,086
	<u>2,263,800</u>	<u>2,146,638</u>
	30.06.2014	31.12.2013
	RM'000	RM'000
(i) Accumulated surplus		
At beginning of period/year	2,046,700	1,787,174
Surplus transferred from family takaful fund	160,010	301,348
Surplus attributable to participants during the period/year	-	(10,852)
Hibah paid to participants during the period/year	(2,376)	(30,970)
At end of period/year	<u>2,204,334</u>	<u>2,046,700</u>
	30.06.2014	31.12.2013
	RM'000	RM'000
(ii) Surplus attributable to participants		
At beginning of period/year	10,852	-
Surplus attributable to participants during the period/year	-	10,852
At end of period/year	<u>10,852</u>	<u>10,852</u>
	30.06.2014	31.12.2013
	RM'000	RM'000
(iii) AFS reserves		
At beginning of period/year	89,086	142,065
Net gain on fair value changes	61,231	76,987
Deferred tax on fair value changes	2,965	(7,057)
Realised gain transferred to income statement	(104,668)	(122,909)
At end of period/year	<u>48,614</u>	<u>89,086</u>

12. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000	Net RM'000
Takaful funds and Company			
30.06.2014			
General takaful fund (Note (a))	1,337,734	(245,730)	1,092,004
Family takaful fund (Note (b))	5,753,541	(25,846)	5,727,695
	<u>7,091,275</u>	<u>(271,576)</u>	<u>6,819,699</u>
31.12.2013			
General takaful fund (Note (a))	1,242,814	(205,298)	1,037,516
Family takaful fund (Note (b))	5,519,963	(15,817)	5,504,146
	<u>6,762,777</u>	<u>(221,115)</u>	<u>6,541,662</u>

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2014			
Claims liabilities (Note (i))	748,528	(205,477)	543,051
Contribution liabilities (Note (ii))	589,206	(40,253)	548,953
	<u>1,337,734</u>	<u>(245,730)</u>	<u>1,092,004</u>
31.12.2013			
Claims liabilities (Note (i))	699,800	(173,839)	525,961
Contribution liabilities (Note (ii))	543,014	(31,459)	511,555
	<u>1,242,814</u>	<u>(205,298)</u>	<u>1,037,516</u>

12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2014			
At beginning of period	699,800	(173,839)	525,961
Claims incurred in the current accident period	277,995	(13,535)	264,460
Movement in claims incurred in prior accident period	(3,879)	(22,820)	(26,699)
Claims paid during the period	(237,041)	12,074	(224,967)
Movements in PRAD	11,653	(7,357)	4,296
At end of the period	<u>748,528</u>	<u>(205,477)</u>	<u>543,051</u>
31.12.2013			
At beginning of year	748,517	(237,507)	511,010
Claims incurred in the current accident year	565,662	(59,005)	506,657
Movement in claims incurred in prior accident years	(45,080)	15,714	(29,366)
Claims paid during the year	(548,792)	84,430	(464,362)
Movements in PRAD	(20,507)	22,529	2,022
At end of the year	<u>699,800</u>	<u>(173,839)</u>	<u>525,961</u>

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2014			
At beginning of the period	543,014	(31,459)	511,555
Contributions written during the period	516,944	(70,751)	446,193
Contributions earned during the period	(470,752)	61,957	(408,795)
At end of the period	<u>589,206</u>	<u>(40,253)</u>	<u>548,953</u>

12. 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
31.12.2013			
At beginning of the year	545,639	(35,858)	509,781
Contributions written during the year	885,648	(82,806)	802,842
Contributions earned during the year	(888,273)	87,205	(801,068)
At end of the year	<u>543,014</u>	<u>(31,459)</u>	<u>511,555</u>

(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
30.06.2014			
Provision for outstanding claims (Note (ii))	71,279	(657)	70,622
Actuarial liabilities (Note (ii))	5,670,961	(25,189)	5,645,772
NAV attributable to unitholders (Note (ii))	11,301	-	11,301
	<u>5,753,541</u>	<u>(25,846)</u>	<u>5,727,695</u>
31.12.2013			
Provision for outstanding claims (Note (ii))	67,385	(540)	66,845
Actuarial liabilities (Note (ii))	5,452,578	(15,277)	5,437,301
	<u>5,519,963</u>	<u>(15,817)</u>	<u>5,504,146</u>

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12. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(ii) Movements of family takaful certificate liabilities

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
30.06.2014						
As at 1 January 2014	67,385	5,452,578	-	5,519,963	(15,817)	5,504,146
Net earned contribution	-	-	11,308	11,308	(31,811)	(20,503)
Other revenue	-	-	48	48	-	48
Experience/benefit variation	(5,314)	-	-	(5,314)	25,656	20,342
Claims intimated during the period	276,406	(276,406)	-	-	(116)	(116)
Claims paid during the period	(267,198)	-	(53)	(267,251)	6,155	(261,096)
Other expenses	-	-	3	3	-	3
Taxation	-	-	(5)	(5)	-	(5)
Increase in certificate reserves	-	494,789	-	494,789	(9,913)	484,876
As at 30 June 2014	71,279	5,670,961	11,301	5,753,541	(25,846)	5,727,695
31.12.2013						
As at 1 January 2013	128,053	5,118,543	56,886	5,303,482	(18,634)	5,284,848
Net earned contribution	-	-	-	-	(32,647)	(32,647)
Other revenue	-	-	1,976	1,976	-	1,976
Experience/benefit variation	3,791	-	-	3,791	(9,687)	(5,896)
Claims intimated during the year	603,268	(603,268)	-	-	(427)	(427)
Claims paid during the year	(667,727)	-	(57,709)	(725,436)	42,334	(683,102)
Other expenses	-	-	(1,076)	(1,076)	-	(1,076)
Taxation	-	-	(77)	(77)	-	(77)
Increase in certificate reserves	-	937,303	-	937,303	3,244	940,547
As at 31 December 2013	67,385	5,452,578	-	5,519,963	(15,817)	5,504,146

13. 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:

	30.06.2014	31.12.2013
	RM'000	RM'000
Within 1 year	9,288	9,540
After 1 year but not more than 5 years	35,309	35,928
	<u>44,597</u>	<u>45,468</u>

14. CAPITAL COMMITMENTS

	30.06.2014	31.12.2013
	RM'000	RM'000
Shareholder's fund		
Approved and contracted for:		
Intangible assets	<u>3,265</u>	<u>3,384</u>
Approved and not contracted for:		
Intangible assets	<u>-</u>	<u>-</u>

15. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2014, as prescribed under the RBCT Framework which is effective for financial year beginning on and after 1 January 2014, is provided below :

	30.06.2014
	RM'000
Eligible Tier 1 Capital	
Share capital (paid up)	400,000
Reserves, including retained earnings	3,296,143
	<u>3,696,143</u>
Tier 2 Capital	
Available-for-sale reserves	(8,544)
Subordinated sukuk	300,000
	<u>291,456</u>
Amount deducted from Capital	<u>(151,442)</u>
Total Capital Available	<u>3,836,157</u>

16. CONTINGENT LIABILITIES

(i) Counter claim on litigated case

In 2004, the Company commenced a civil suit against a third party ("the First Defendant") and all the guarantors for the failure to pay two monthly instalments amounting to RM0.8 million. The First Defendant counter claimed for loss and damage amounting to RM283.6 million as a result of the Company's alleged failure to release the balance of the facility of RM7.5 million. It was alleged that the First Defendant was unable to carry on with its project and therefore had suffered loss and damage.

The Company's application for Summary Judgment was heard on 14 May 2009 and allowed by the Kuala Lumpur High Court ("KLHC"). In addition, the KLHC ordered that the First Defendant's counter claim against the Company be dismissed.

The First Defendant then filed a Notice of Motion to the Court of Appeal for stay of execution and to appeal against the decision of the KLHC dated 14 May 2009. During the hearing of the application for stay of execution on 28 October 2009, the Court of Appeal had dismissed the application with cost.

The First Defendant's appeal against the decision of the KLHC dated 14 May 2009 was heard by the Court of Appeal on 4 March 2010 which had allowed the First Defendant's appeal with cost. Thus, the Summary Judgment granted by the KLHC on 14 May 2009 was set aside and the striking out of the Defendants' counter-claim was now overturned. The Court of Appeal had directed the matter to be set down for full trial.

The full trial concluded on 29 June 2011 and on 21 September 2011 the KLHC had dismissed the Defendants' counter-claim against the Company and allowed judgment to be entered against the Defendants. The First, Second and Fourth Defendants then filed for a stay of execution of the Judgment dated 21 September 2011 and on 8 December 2011, the KLHC dismissed the said application with costs of RM1,000.

The First, Second and Fourth Defendants have filed for appeal against the decision dated 21 September 2011 to the Court of Appeal. The Court of Appeal had on 16 April, 2013 dismissed the appeal with cost of RM10,000 against each Defendant. All Defendants have filed their appeal against the decision of the Court of Appeal dated 16 April 2013 to the Federal Court.

However, in view of the agreed settlement between the Company and all Defendants as per the letter dated 27 November, 2013, a Consent Order was entered by the Company at the High Court of Muar on 18 December, 2013. As part of the agreed terms of settlement, all Defendants have withdrawn their respective appeal at the Federal Court. The Company is expected to receive the final instalment payment of the agreed settlement sum by 15th October, 2016.

16. CONTINGENT LIABILITIES (CONT'D.)

(ii) Letter of demand from service provider

On 22 October 2012, the Company and its fellow subsidiary had terminated the services of a service provider on the grounds that they had not complied with the services required of them under a service level agreement between the service provider and the Company and its fellow subsidiary. On 28 November 2012, the service provider had, via its solicitors, issued a letter of demand against the Company and its fellow subsidiary for a particular sum, alleged to be amounts owing to the service provider for outstanding claims by Medical providers.

In respect of the amounts claimed by the service provider, management is of the opinion that the claimed amounts were not substantiated and, thus, no payments were made. The Company's and its fellow subsidiary's solicitors had advised management that the Company and its fellow subsidiary had a reasonable defence against the claim until such time as sufficient evidence is given by the service provider to support the claimed amounts. Accordingly, the management of the Company and its fellow subsidiary are of the view that an accrual for the claimed amounts is not necessary as the alleged amounts are not substantiated by documentary evidence.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Fair value hierarchy

The company classifies its financial instruments measured at fair value according to the fair value hierarchy.

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

- Level 1 : Active Market – quoted price

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

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

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

Examples of level 2 financial instruments include Malaysian government papers, unquoted debt securities and negotiable Islamic certificates of deposits.

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

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

Examples of level 3 instruments include unquoted equity securities and foreign notes.

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value hierarchy

Shareholder's Fund

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
30.06.2014				
<u>Assets</u>				
Available-for-sale ("AFS")				
Malaysian government papers	-	60,840	-	60,840
Unquoted debt securities in Malaysia	-	1,319,100	-	1,319,100
Equity securities	162,130	-	-	162,130
Quoted unit and property trust funds in Malaysia	2,100	-	-	2,100
Investment-linked units	11,025	-	-	11,025
Structured products	-	23,603	-	23,603
Total assets	175,255	1,403,543	-	1,578,798
31.12.2013				
<u>Assets</u>				
Available-for-sale ("AFS")				
Malaysian government papers	-	2,003	-	2,003
Unquoted debt securities in Malaysia	-	985,257	-	985,257
Equity securities	150,195	-	32	150,227
Quoted unit and property trust funds in Malaysia	2,352	-	-	2,352
Structured products	-	23,775	-	23,775
Total assets	152,547	1,011,035	32	1,163,614

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value hierarchy

General takaful fund

	Valuation techniques using:		Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	
30.06.2014			
<u>Assets</u>			
Available-for-sale ("AFS")			
Malaysian government papers	-	533,587	533,587
Unquoted debt securities in Malaysia	-	739,635	739,635
Equity securities	24,571	-	24,571
Structured products	-	18,494	18,494
Negotiable Islamic certificates of deposits	-	9,317	9,317
Total assets	24,571	1,301,033	1,325,604
31.12.2013			
<u>Assets</u>			
Available-for-sale ("AFS")			
Malaysian government papers	-	321,910	321,910
Unquoted debt securities in Malaysia	-	655,980	655,980
Equity securities	24,725	-	24,725
Structured products	-	18,342	18,342
Negotiable Islamic certificates of deposits	-	9,176	9,176
Total assets	24,725	1,005,408	1,030,133

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value hierarchy

Family takaful fund

	Valuation techniques using:		
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
30.06.2014			
<u>Assets</u>			
Available-for-sale ("AFS"):			
Malaysian			
government			
papers	-	150,738	150,738
Unquoted debt			
securities in			
Malaysia	-	1,451,697	1,451,697
Equity securities	1,533,818	-	1,533,818
Quoted unit and			
property trust			
funds in Malaysia	14,087	-	14,087
Negotiable Islamic			
certificates of deposit	-	17,193	17,193
Designated upon initial			
 recognition as Fair Value			
 Through Profit or Loss			
 ("FVTPL"):			
Malaysian			
government papers	-	549,061	549,061
Unquoted debt			
securities in			
Malaysia	-	3,497,380	3,497,380
Structured products	-	119,319	119,319
Negotiable Islamic			
certificates of deposit	-	103,862	103,862
HFT financial investments:			
Malaysian			
government papers	-	3,903	3,903
Unquoted debt			
securities in Malaysia	-	4,579	4,579
Equity securities	983	-	983
Total assets	1,548,888	5,897,732	7,446,620

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D)

(a) Fair value hierarchy

Family takaful fund (cont'd)

	Valuation techniques using:		
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Total RM'000
31.12.2013			
<u>Assets</u>			
Available-for-sale ("AFS"):			
Malaysian government papers	-	245,021	245,021
Unquoted debt securities in Malaysia	-	1,339,095	1,339,095
Equity securities	1,025,903	-	1,025,903
Quoted unit and property trust funds in Malaysia	30,156	-	30,156
Negotiable Islamic certificates of deposit	-	16,913	16,913
Designated upon initial recognition as Fair Value Through Profit or Loss ("FVTPL"):			
Malaysian government papers	-	956,067	956,067
Unquoted debt securities in Malaysia	-	3,447,729	3,447,729
Structured products	-	118,887	118,887
Negotiable Islamic certificates of deposit	-	102,183	102,183
Total assets	1,056,059	6,225,895	7,281,954

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Reconciliation of level 3 fair value hierarchy

	AFS financial assets RM'000
Shareholders fund	
Unquoted Equity Securities	
30.06.2014	
As at 1 January 2014	32
Recognised in income statement:	
Impairment loss	(32)
As at 30 June 2014	<u>-</u>
31.12.2013	
As at 1 January/31 December 2013	<u>32</u>
	HFT financial assets RM'000
Family takaful fund	
Foreign Notes	
30.06.2014	
As at 1 January/30 June 2014	<u>-</u>
31.12.2013	
As at 1 January 2013	7,731
Recognised in income statement:	
Fair value gain/(loss)	773
Disposal	(8,504)
As at 31 December 2013	<u>-</u>