



266243-D

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

**Unaudited Interim Condensed Financial Statements
for the six months period ended 30 June 2019**

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

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ETIQA FAMILY TAKAFUL BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	30.6.2019			31.12.2018			
	Note	Shareholder's	Family	Company	Shareholder's	Family	
		Fund	Takaful Fund		Fund	Takaful Fund	
		RM'000	RM'000	RM'000	RM'000	RM'000	
ASSETS							
Property, plant and equipment		380	-	380	413	-	413
Right-of-use assets		771	-	771	-	-	-
Intangible assets		4,585	-	4,585	4,934	-	4,934
Investments	13	2,172,834	11,116,599	13,262,901	2,174,152	10,310,238	12,459,457
Financing receivables		16,200	-	16,200	16,406	-	16,406
Retakaful assets	14	-	92,391	92,391	-	73,802	73,802
Takaful receivables	15	-	131,457	131,457	-	75,591	75,591
Other assets	16	33,834	127,758	158,544	223,762	166,131	206,355
Qard receivables		3,992	-	-	-	-	-
Deferred tax assets		-	-	-	4,126	1,767	5,893
Current tax assets		49,738	21,112	70,850	34,834	21,181	56,015
Cash and bank balances		13,739	62,795	76,534	43,664	103,532	147,196
Total Assets		2,296,073	11,552,112	13,814,613	2,502,291	10,752,242	13,046,062
EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS							
Equity							
Share capital		100,000	-	100,000	100,000	-	100,000
Reserves		1,538,648	-	1,533,116	1,544,746	-	1,540,813
Total Equity		1,638,648	-	1,633,116	1,644,746	-	1,640,813
Liabilities and Participants' Funds							
Participants' funds	17	-	3,603,748	3,603,748	-	3,233,339	3,233,339
Takaful certificate liabilities	18	-	7,599,848	7,578,848	-	7,053,776	7,032,776
Subordinated obligation		-	-	-	300,000	-	300,000
Expense liabilities	19	512,133	-	512,133	445,941	-	445,941
Deferred tax liabilities		21,276	37,669	58,945	-	-	-
Takaful payables	20	1,965	28,782	30,747	12,428	33,515	45,943
Other liabilities	21	122,051	278,073	397,076	97,987	431,612	346,061
Qard payables		-	3,992	-	-	-	-
Profit payable on subordinated obligation		-	-	-	1,189	-	1,189
Total Liabilities and Participants' Funds		657,425	11,552,112	12,181,497	857,545	10,752,242	11,405,249
Total Equity, Liabilities and Participants' Funds		2,296,073	11,552,112	13,814,613	2,502,291	10,752,242	13,046,062

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA FAMILY TAKAFUL BERHAD
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UNAUDITED INTERIM CONDENSED INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	Note	1.1.2019 to 30.6.2019			1.1.2018 to 30.6.2018		
		Shareholder's	Family	Company	Shareholder's	Family	Company
		Fund	Takaful Fund		Fund	Takaful Fund	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue		236,382	1,136,813	1,185,573	241,426	1,089,188	1,330,614
Gross earned contributions		-	893,009	893,009	-	858,644	858,644
Earned contributions ceded to retakaful		-	(40,219)	(40,219)	-	(35,287)	(35,287)
Net earned contributions		-	852,790	852,790	-	823,357	823,357
Fee and commission income	22	187,622	131	131	191,544	182	182
Investment income	23	48,760	243,804	292,564	49,882	230,544	280,426
Realised gains/(losses)		1,779	9,726	11,505	(7,866)	(54,403)	(62,269)
Fair value gains/(losses)		89,650	331,953	420,004	(23,536)	(109,891)	(133,173)
Other operating (expenses) /income, net	24	(365)	365	-	487	(736)	(249)
Other revenue		327,446	585,979	724,204	210,511	65,696	84,917
Gross benefits and claims paid		-	(521,388)	(521,388)	-	(424,230)	(424,230)
Claims ceded to retakaful		-	30,642	30,642	-	26,044	26,044
Gross change to certificate liabilities		-	(549,358)	(738,733)	-	(73,556)	(283,988)
Change in certificate liabilities ceded to retakaful		-	18,589	18,589	-	(15,170)	(15,170)
Net benefits and claims		-	(1,021,515)	(1,210,890)	-	(486,912)	(697,344)
Management expenses	25	(82,976)	(13,804)	(96,780)	(95,274)	(11,574)	(106,848)
Change in expense liabilities		(66,192)	-	(66,192)	15,681	-	15,681
Fee and commission expenses		(63,296)	(188,008)	(63,682)	(66,619)	(191,980)	(67,055)
Profit on subordinated obligation		(5,535)	-	(5,535)	(6,724)	-	(6,724)
Tax borne by participants	28	-	(26,067)	(26,067)	-	11,845	11,845
Other expenses		(217,999)	(227,879)	(258,256)	(152,936)	(191,709)	(153,101)
Operating profit before surplus transfers		109,447	189,375	107,848	57,575	210,432	57,829
Surplus transferred to participants' funds		-	(189,375)	-	-	(210,432)	-
Surplus attributable to shareholders		-	-	-	-	-	-
Profit before taxation		109,447	-	107,848	57,575	-	57,829
Taxation	28	(51,555)	-	(51,555)	(16,310)	-	(16,310)
Zakat		(2,068)	-	(2,068)	(2,988)	-	(2,988)
Net profit for the period		55,824	-	54,225	38,277	-	38,531
Basic earnings per share (sen)	34			54.23			16.57

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

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UNAUDITED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	1.1.2019 to 30.6.2019			1.1.2018 to 30.6.2018		
	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Net profit for the period	55,824	-	54,225	38,277	-	38,531
Other comprehensive income:						
Item that may be subsequently reclassified to income statement						
Net gains / (losses) on Fair Value through Other Comprehensive income (FVOCI) financial assets:						
- Fair value changes	18,657	183,299	201,956	-	(90,134)	(90,134)
- Transfer to income statement upon disposal	(1,449)	(9,413)	(10,862)	-	60,733	60,733
Tax effects relating to components of other comprehensive income	28	(4,130)	13,437	-	1,986	1,986
Other comprehensive (losses)/ income attributable to participants	-	(187,323)	(187,323)	-	27,415	27,415
Other comprehensive income for the period, net of tax	13,078	-	13,078	-	-	-
Total comprehensive income for the period	68,902	-	67,303	38,277	-	38,531

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA FAMILY TAKAFUL BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

Attributable to Equity Holder of the Company				
Non-				
Distributable Distributable				
Note	Share Capital RM'000	FVOCI Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
As at 1.1.2019	100,000	512	1,544,234	1,640,813
Net profit after tax for the period	-	-	55,824	54,225
Other comprehensive income for the period	-	13,078	-	13,078
Total comprehensive income for the period	-	13,078	55,824	67,303
Dividend on Ordinary Share	-	-	(75,000)	(75,000)
As at 30.6.2019	100,000	13,590	1,525,058	1,633,116
As at 1.1.2018	400,000	(25,050)	1,382,972	1,757,922
Effect of adopting MFRS 9	-	25,050	(25,054)	(4)
As at 1.1.2018 (as restated)	400,000	-	1,357,918	1,757,918
Net profit after tax for the period	-	-	38,277	38,531
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	38,277	38,531
Capital reduction	(300,000)	-	-	(300,000)
As at 30.6.2018	100,000	-	1,396,195	1,496,449

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

ETIQA FAMILY TAKAFUL BERHAD
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UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	107,848	57,829
Adjustments for:		
Depreciation of property, plant and equipment	69	126
Amortisation of intangible assets	388	392
Right-of-use expenses		
- Depreciation	92	-
- Lease interest	16	-
Fair value (gains)/losses on investments	(420,004)	133,173
Realised (gains)/losses on disposal of investments	(11,505)	62,269
Impairment losses/(reversal of impairment losses) on investments	174	(41)
Impairment losses on takaful receivables	481	137
Impairment losses/(reversal of impairment losses) on other assets	35	(37)
Reversal of impairment losses on financing receivables	(176)	(107)
Takaful receivables (recovered)/written off	(140)	627
Profit income	(292,360)	(267,194)
Gross dividend income	(5,866)	(12,770)
Net amortisation/(accretion) of premiums	4,959	(772)
Surplus transferred from Family Takaful Fund	189,375	210,432
Operating cash flows before working capital changes	<u>(426,614)</u>	<u>184,064</u>
Changes in working capital:		
Increase in takaful receivables	(56,208)	(40,036)
Decrease in other assets	12,498	40,453
Decrease/(increase) in other liabilities	94,866	(166,961)
Decrease/(increase) in expense liabilities	66,192	(15,681)
Increase in takaful payables	(15,196)	(10,253)
Decrease in financing receivables	382	279
Increase in placements of deposits with financial institutions	(217,837)	(190,559)
(Increase)/decrease in retakaful assets	(18,589)	15,167
Decrease in takaful certificate liabilities	546,072	75,842
Operating cash flows after working capital changes	<u>(14,434)</u>	<u>(107,685)</u>

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UNAUDITED INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTD.)

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONTD.)		
Brought forward		
Operating cash flows after working capital changes	(14,434)	(107,685)
Profit income received	286,354	260,185
Gross dividend income received	7,027	11,896
Zakat paid	(7,328)	(2,988)
Taxation paid	(18,375)	(68,640)
Surplus paid to participants	(599)	(927)
Withholding tax borne by participants	(5,690)	(8,381)
Net cash flows generated from operating activities	<u>246,955</u>	<u>83,460</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,341,045	3,264,795
Purchase of investments	(2,282,307)	(3,007,857)
Proceeds on sale of property, plant and equipment	-	129
Purchase of intangible assets	(39)	(643)
Purchase of property, plant and equipment	(37)	(112)
Net cash flows used in investing activities	<u>58,662</u>	<u>256,312</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Profit paid for subordinated obligations	(1,189)	(6,724)
Redemption of subordinated obligations	(300,000)	-
Dividends paid	(75,000)	-
Capital reduction	-	(300,000)
Payment of lease liabilities	(90)	-
Net cash flows used in financing activities	<u>(376,279)</u>	<u>(306,724)</u>
Net (decrease)/increase in cash and cash equivalents	(70,662)	33,048
Cash and cash equivalents at beginning of period	<u>147,196</u>	<u>61,412</u>
Cash and cash equivalents at end of period	<u><u>76,534</u></u>	<u><u>94,460</u></u>
Cash and cash equivalents comprise:		
Cash and bank balances of:		
Shareholder's Fund	13,739	16,852
Family Takaful Fund	62,795	77,608
	<u>76,534</u>	<u>94,460</u>

These unaudited interim condensed financial statements should be read in conjunction with the audited annual financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to the unaudited interim condensed financial statements.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019

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.

2. BASIS OF PREPARATION

The unaudited interim condensed financial statements of the Company for the financial period ended 30 June 2019 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) and Guidelines/Circulars issued by Bank Negara Malaysia (BNM).

The unaudited interim condensed 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 condensed financial statements do not include all the information and disclosures required in audited annual financial statements and should be read in conjunction with the audited annual financial statements of the Company for the financial year ended 31 December 2018.

The explanatory notes attached to the unaudited interim condensed 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 financial year ended 31 December 2018.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTD.)

2. BASIS OF PREPARATION (CONTD.)

As at the reporting date, the Company has met the minimum capital requirements as prescribed by Risk-Based Capital Takaful Framework for takaful operators (the RBCT Framework) issued by BNM.

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

The unaudited interim condensed financial statements were approved for issue by the Board of Directors on 19 August 2019.

3. SIGNIFICANT ACCOUNTING POLICIES

The audited annual financial statements of the Company for the financial year ended 31 December 2018 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 condensed financial statements are consistent with those of the audited annual financial statements for the financial year ended 31 December 2018 except for the adoption of the following new Malaysian Financial Reporting Standards (MFRSs), Issues Committee (IC) Interpretations, amendments to MFRSs and annual improvements to MFRSs which are effective for annual periods beginning on or after 1 January 2019:

MFRS 16 *Leases*

IC Interpretation 23 Uncertainty over Income Tax Treatments

Annual Improvements to MFRSs 2015-2017 Cycle:

- (i) Amendments to MFRS 3 *Business Combinations* and MFRS 11 *Joint Arrangements*
- (ii) Amendments to MFRS 112 *Income Tax*
- (iii) Amendments to MFRS 123 *Borrowing Costs*

The adoption of the above new MFRSs, IC Interpretation, amendments to MFRSs and annual improvements to MFRSs do not have financial implication to the Company's financial statements, other than as disclosed below:

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2019 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in accounting policies - MFRS 16 Leases

MFRS 16 Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases — Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessee account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessor will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117 and IC interpretation 4 at the date of initial application. Therefore, MFRS 16 did not have an impact for leases where the Company is the lessor.

Leases previously classified as operating lease - the Company as lessee

On 1 January 2019, the Company has applied MFRS 16 for the first time using the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying MFRS 16, to the retained earnings brought forward and not restating prior year comparatives information which remain as previously reported under MFRS 117 and related interpretations. The Company also made use of the transition practical expedient in the standard to not recognise lease arrangements for which the lease term ends within 12 months of the date of initial application. The Company has elected, on a lease-by-lease basis, to recognise the right-of-use assets at the amount equal to the lease liabilities, hence there were no impact to the retained earnings brought forward as at 1 January 2019.

The Company elected the following transition practical expedients on a lease-by-lease basis for measurement purposes at first-time application of the standard:

- (1) A single discount rate was applied for those portfolio of leases with reasonably similar characteristics such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment;
- (2) Short-term lease contracts with a term not exceeding 12 months at the date of initial application are not recognised under MFRS 16;

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in accounting policies - MFRS 16 Leases (Contd.)

Leases previously classified as operating lease - the Company as lessee (Contd.)

- (3) Initial direct costs are excluded from the measurement of the right-of-use asset at the date of initial application; and
- (4) The Company used hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

The detailed financial impact of the adoption of MFRS 16 on the financial statements of the Company are disclosed in Note 35.

(a) Right-of-Use Assets (ROU)

At inception of a contract, the Company assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Company combines lease and non-lease components, in cases where splitting the non-lease component is not possible.

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in accounting policies - MFRS 16 Leases (Contd.)

Leases previously classified as operating lease - the Company as lessee (Contd.)

(b) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(c) Short-Term Leases and Leases of Low-Value Assets

The Company applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

Changes in accounting policies - MFRS 16 Leases (Contd.)

Leases previously classified as operating lease - the Company as lessee (Contd.)

(d) Significant Judgement in Determining the Lease Term of Contracts with Renewal Options

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms of three to five years. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of unaudited interim condensed 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 condensed 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 2018 except for the measurement of right-of-use assets and lease liabilities under MFRS 16 which involves increased complexity and judgement as disclosed in Note 3.

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NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

5. AUDITOR'S REPORT ON PRECEDING AUDITED ANNUAL FINANCIAL STATEMENTS

The auditor's report on the audited annual financial statements for the financial year ended 31 December 2018 was not qualified.

6. SEASONALITY OR CYCLICALITY OF OPERATIONS

The businesses of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period ended 30 June 2019.

However, as is common for takaful operator, surplus for family funds 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 2019.

8. CHANGES IN ESTIMATES

There were no material changes in estimates for the interim financial period ended 30 June 2019.

9. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

On 18 March 2019, BNM approved the Company's redemption exercise for the Tier-2 Capital Subordinated Sukuk Musharakah of RM300.0 million (the Sukuk). Subsequently, the Company exercised the call option to redeem the Sukuk on 30 May 2019. The Sukuk had been issued on 30 May 2014 with a tenure of ten (10) years from issue date on 10 non-callable 5 basis, with interest rate of 4.52% per annum payable semi-annually and is due in 2024.

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

NOTES TO THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019 (CONTD.)

10. DIVIDENDS PAID

A final single tier dividend of 75 sen per ordinary share on 100,000,000 ordinary shares amounting to RM75,000,000 for the financial year ended 31 December 2018 was approved by the shareholder in Annual General Meeting held on 4 April 2019. Thereafter, the final dividend was paid on 25 April 2019.

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 condensed 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 2019.

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

13. INVESTMENTS

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019			
Malaysian government papers	49,164	204,495	253,659
Equity securities	41,964	370,855	412,819
Debt securities	1,901,469	9,677,601	11,579,070
Unit and property trust funds	26,532	306	306
Deposits with financial institutions	153,705	863,342	1,017,047
	<u>2,172,834</u>	<u>11,116,599</u>	<u>13,262,901</u>
31.12.2018			
Malaysian government papers	139,078	342,724	481,802
Equity securities	80,279	540,033	620,312
Debt securities	1,758,009	8,799,859	10,557,868
Unit and property trust funds	24,933	266	266
Deposits with financial institutions	171,853	627,356	799,209
	<u>2,174,152</u>	<u>10,310,238</u>	<u>12,434,524</u>

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

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019			
Fair value through profit and loss (FVTPL):			
- Designated upon initial recognition	1,466,780	6,316,005	7,782,785
- Held for trading (HFT)	68,496	443,801	485,765
Fair value through other comprehensive income (FVOCI)	483,853	3,509,436	3,993,289
Amortised Cost (AC)	153,705	847,357	1,001,062
	<u>2,172,834</u>	<u>11,116,599</u>	<u>13,262,901</u>
31.12.2018			
Fair value through profit and loss (FVTPL):			
- Designated upon initial recognition	1,621,808	5,882,543	7,504,351
- Held for trading (HFT)	105,212	584,125	664,404
Fair value through other comprehensive income (FVOCI)	275,279	3,216,214	3,491,493
Amortised Cost (AC)	171,853	627,356	799,209
	<u>2,174,152</u>	<u>10,310,238</u>	<u>12,459,457</u>

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

13. INVESTMENTS (CONTD.)

Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
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The following investments will mature after 12 months:

30.6.2019

FVTPL			
- Designated upon initial recognition	1,446,705	5,989,441	7,436,146
- HFT	-	56,655	56,655
FVOCI	478,831	3,473,088	3,951,919
	<u>1,925,536</u>	<u>9,519,184</u>	<u>11,444,720</u>

31.12.2018

FVTPL			
- Designated upon initial recognition	1,606,768	5,661,486	7,268,254
- HFT	-	43,826	43,826
FVOCI	175,518	3,159,635	3,335,153
	<u>1,782,286</u>	<u>8,864,947</u>	<u>10,647,233</u>

(i) FVTPL

(a) Designated upon initial recognition

30.6.2019

At fair value

Malaysian government papers	10,426	83,069	93,495
Unquoted debt securities in Malaysia	1,456,354	6,232,936	7,689,290
Total FVTPL financial assets designated upon initial recognition	<u>1,466,780</u>	<u>6,316,005</u>	<u>7,782,785</u>

31.12.2018

At fair value

Malaysian government papers	109,211	168,858	278,069
Unquoted debt securities in Malaysia	1,512,597	5,713,685	7,226,282
Total FVTPL financial assets designated upon initial recognition	<u>1,621,808</u>	<u>5,882,543</u>	<u>7,504,351</u>

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

13. INVESTMENTS (CONTD.)

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
(i) FVTPL (Contd.)			
(b) HFT			
30.6.2019			
<u>At fair value</u>			
Malaysian government papers	-	4,189	4,189
Quoted equity securities in Malaysia	41,964	370,855	412,819
Unquoted debt securities in Malaysia	-	52,466	52,466
Quoted unit and property trust funds in Malaysia	26,532	306	306
Deposits with financial institutions	-	15,985	15,985
Total HFT financial assets	<u>68,496</u>	<u>443,801</u>	<u>459,233</u>
31.12.2018			
<u>At fair value</u>			
Malaysian government papers	-	7,020	7,020
Quoted equity securities in Malaysia	80,279	540,033	620,312
Unquoted debt securities in Malaysia	-	36,806	36,806
Quoted unit and property trust funds in Malaysia	24,933	266	266
Total HFT financial assets	<u>105,212</u>	<u>584,125</u>	<u>664,404</u>
(ii) FVOCI			
30.6.2019			
<u>At fair value</u>			
Malaysian government papers	38,738	117,237	155,975
Unquoted debt securities in Malaysia	445,115	3,392,199	3,837,314
Total FVOCI financial assets	<u>483,853</u>	<u>3,509,436</u>	<u>3,993,289</u>
31.12.2018			
<u>At fair value</u>			
Malaysian government papers	29,867	166,846	196,713
Unquoted debt securities in Malaysia	245,412	3,049,368	3,294,780
Total FVOCI financial assets	<u>275,279</u>	<u>3,216,214</u>	<u>3,491,493</u>

ETIQA FAMILY TAKAFUL BERHAD
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13. INVESTMENTS (CONTD.)

(ii) FVOCI (Contd.)

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
30.6.2019				
Shareholder's Fund				
As at 1.1.2019	147	-	-	147
New adjustment of loss allowance	(7)	-	-	(7)
New financial assets originated or purchased	101	-	-	101
Financial assets that have been derecognised	(7)	-	-	(7)
As at 30.6.2019	<u>234</u>	<u>-</u>	<u>-</u>	<u>234</u>
Family Takaful Fund				
As at 1.1.2019	1,438	41	-	1,479
New adjustment of loss allowance	(70)	(7)	-	(77)
New financial assets originated or purchased	274	-	-	274
Financial assets that have been derecognised	(111)	-	-	(111)
As at 30.6.2019	<u>1,531</u>	<u>34</u>	<u>-</u>	<u>1,565</u>

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

13. INVESTMENTS (CONTD.)

(ii) FVOCI (Contd.)

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

	<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
31.12.2018				
Shareholder's Fund				
As at 1.1.2018	-	-	-	-
New financial assets originated or purchased	147	-	-	147
As at 31.12.2018	<u>147</u>	<u>-</u>	<u>-</u>	<u>147</u>
Family Takaful Fund				
As at 1.1.2018	-	-	-	-
Effect of adopting MFRS 9	1,365	42	-	1,407
As at 1.1.2018 (as restated)	1,365	42	-	1,407
New adjustment of loss allowance	(25)	(2)	-	(27)
New financial assets originated or purchased	387	1	-	388
Financial assets that have been derecognised	(289)	-	-	(289)
As at 31.12.2018	<u>1,438</u>	<u>41</u>	<u>-</u>	<u>1,479</u>

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

13. INVESTMENTS (CONTD.)

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
(iii) AC			
Deposits and placements with financial institutions			
30.6.2019			
<u>At cost</u>			
Licensed financial institutions *	151,749	588,011	739,760
Others	1,956	259,346	261,302
Total AC financial assets	<u>153,705</u>	<u>847,357</u>	<u>1,001,062</u>
31.12.2018			
<u>At cost</u>			
Licensed financial institutions *	118,981	529,330	648,311
Others	52,872	98,026	150,898
Total AC financial assets	<u>171,853</u>	<u>627,356</u>	<u>799,209</u>

* Included in the AC are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic of RM Nil (2018 : RM3,000,000).

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

An analysis of the different fair value measurement basis used in the determination of the fair values of investments are further disclosed in Note 32 of the unaudited interim condensed financial statements.

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ETIQA FAMILY TAKAFUL BERHAD
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14. RETAKAFUL ASSETS

	30.6.2019	31.12.2018
	RM'000	RM'000
Family Takaful Fund/Company		
Retakaful operator's share of :		
Claims liabilities (Note 18 (i))	7,505	10,772
Actuarial liabilities (Note 18 (i))	84,886	63,030
	<u>92,391</u>	<u>73,802</u>

15. TAKAFUL RECEIVABLES

	30.6.2019	31.12.2018
	RM'000	RM'000
Family Takaful Fund/Company		
Due contributions including agents/brokers and co-takaful balances **	125,430	65,991
Due from retakaful operators	10,480	13,571
	<u>135,910</u>	<u>79,562</u>
Allowance for impairment losses	(4,453)	(3,971)
	<u>131,457</u>	<u>75,591</u>

Movements in the allowance for impairment losses for Takaful receivables are as follows:

	30.6.2019	31.12.2018
	RM'000	RM'000
Lifetime ECL		
As at 1.1.2019 / 1.1.2018	3,971	2,292
Effect from adoption of MFRS 9	-	1,259
As at 1.1.2019 / 1.1.2018 (as restated)	<u>3,971</u>	<u>3,551</u>
Net adjustment of loss allowance	482	420
As at 30.6.2019 / 31.12.2018	<u>4,453</u>	<u>3,971</u>

* Included in the balances due of contributions including agents/brokers and co-takaful balances are balances due from related parties amounting to RM Nil (2018 : RM806,109). The amount receivables are subject to settlement terms stipulated in the underlying takaful contracts.

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

ETIQA FAMILY TAKAFUL BERHAD
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16. OTHER ASSETS

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019			
Sundry receivables, deposits and prepayments **	8,040	690	8,730
Allowance for impairment losses	(2,339)	(507)	(2,846)
	<u>5,701</u>	<u>183</u>	<u>5,884</u>
Income and profit due and accrued **	25,085	123,313	148,398
Amounts due from Family Takaful Fund *	3,048	-	-
Amounts due from stockbrokers	-	4,262	4,262
Total Other Assets	<u>33,834</u>	<u>127,758</u>	<u>158,544</u>
31.12.2018			
Sundry receivables, deposits and prepayments **	12,830	625	13,455
Allowance for impairment losses	(2,303)	(508)	(2,811)
	<u>10,527</u>	<u>117</u>	<u>10,644</u>
Income and profit due and accrued **	24,056	119,498	143,554
Amounts due from Family Takaful Fund *	183,538	-	-
Amounts due from stockbrokers	5,641	46,516	52,157
Total Other Assets	<u>223,762</u>	<u>166,131</u>	<u>206,355</u>

Movements in the allowance for impairment losses for other assets are as follows:

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Lifetime ECL			
30.6.2019			
As at 1.1.2019	2,303	508	2,811
Net adjustment of loss allowance	36	(1)	35
As at 30.6.2019	<u>2,339</u>	<u>507</u>	<u>2,846</u>
31.12.2018			
As at 1.1.2018	2,317	510	2,827
Net adjustment of loss allowance	(14)	(2)	(16)
As at 31.12.2018	<u>2,303</u>	<u>508</u>	<u>2,811</u>

* Amounts due from Family Takaful Fund are non-trade in nature, unsecured, interest-free and repayable on demand.

** Included in sundry receivables, deposits and prepayments and income and profit due and accrued are balances due from related parties amounting to RM3,938,098 and RM1,407,322 (2018: RM9,113,865 and RM384,804) respectively.

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

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17. PARTICIPANTS' FUNDS

	30.6.2019	31.12.2018
	RM'000	RM'000
Family Takaful Fund/Company		
Accumulated surplus (Note (i))	1,966,616	1,783,530
Surplus attributable to participants (Note (ii))	1,446,340	1,446,340
FVOCI reserves (Note (iii))	190,792	3,469
	<u>3,603,748</u>	<u>3,233,339</u>
	30.6.2019	31.12.2018
	RM'000	RM'000
(i) Accumulated surplus		
As at 1.1.2019 / 1.1.2018	1,783,530	1,723,241
Effect of adopting MFRS 9	-	(6,288)
As at 1.1.2019 / 1.1.2018 (as restated)	<u>1,783,530</u>	<u>1,716,953</u>
Surplus arising during the period/year	189,375	266,467
Transfer to Shareholder's Fund		
- Expense liabilities (Note 19)	-	(44,714)
Surplus attributable to participants during the period/year	-	(142,903)
Surplus paid to participants during the period/year	(599)	(1,744)
Withholding tax borne by participants	(5,690)	(10,529)
As at 30.6.2019 / 31.12.2018	<u>1,966,616</u>	<u>1,783,530</u>
(ii) Surplus attributable to participants		
As at 1.1.2019 / 1.1.2018	1,446,340	1,303,437
Surplus attributable to participants during the period/year	-	142,903
As at 30.6.2019 / 31.12.2018	<u>1,446,340</u>	<u>1,446,340</u>
(iii) FVOCI reserves		
As at 1.1.2019 / 1.1.2018	3,469	(28,401)
Effect of adopting MFRS 9	-	5,029
As at 1.1.2019 / 1.1.2018 (as restated)	<u>3,469</u>	<u>(23,372)</u>
Net gain on fair value changes	183,299	32,480
Realised gain transferred to income statement	(9,413)	(3,828)
Deferred tax on fair value changes	13,437	(1,811)
As at 30.6.2019 / 31.12.2018	<u>190,792</u>	<u>3,469</u>

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

18. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful Assets RM'000 (Note 14)	Net RM'000
Family Takaful Fund/Company			
30.6.2019			
Family Takaful Fund	7,599,848	(92,391)	7,507,457
Less: Seed money elimination	(21,000)	-	(21,000)
	<u>7,578,848</u>	<u>(92,391)</u>	<u>7,486,457</u>
31.12.2018			
Family Takaful Fund	7,053,776	(73,802)	6,979,974
Less: Seed money elimination	(21,000)	-	(21,000)
	<u>7,032,776</u>	<u>(73,802)</u>	<u>6,958,974</u>

(i) The Family Takaful certificate liabilities and its movements are further analysed as follows:

	Gross RM'000	Retakaful Assets RM'000 (Note 14)	Net RM'000
30.6.2019			
Claims liabilities	124,993	(7,505)	117,488
Actuarial liabilities	7,285,252	(84,886)	7,200,366
NAV attributable to unitholders	189,603	-	189,603
	<u>7,599,848</u>	<u>(92,391)</u>	<u>7,507,457</u>
31.12.2018			
Claims liabilities	155,436	(10,772)	144,664
Actuarial liabilities	6,734,718	(63,030)	6,671,688
NAV attributable to unitholders	163,622	-	163,622
	<u>7,053,776</u>	<u>(73,802)</u>	<u>6,979,974</u>

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18. TAKAFUL CERTIFICATE LIABILITIES (CONTD.)

Family Takaful Fund/Company (Contd.)

(ii) The movements of the Family Takaful certificate liabilities are as follows:

	Claims Liabilities RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
30.6.2019						
As at 1.1.2019	155,436	6,734,718	163,622	7,053,776	(73,802)	6,979,974
Net earned contributions	-	-	35,854	35,854	-	35,854
Other revenue	-	-	10,995	10,995	-	10,995
Experience/benefit variation	(3,280)	-	-	(3,280)	-	(3,280)
Claims intimated during the period	475,264	(475,244)	(20)	-	3,267	3,267
Claims paid during the period	(502,427)	-	(18,961)	(521,388)	-	(521,388)
Other expenses	-	-	(1,110)	(1,110)	-	(1,110)
Taxation	-	-	(777)	(777)	-	(777)
Increase in certificate reserves	-	1,025,778	-	1,025,778	(21,856)	1,003,922
As at 30.6.2019	<u>124,993</u>	<u>7,285,252</u>	<u>189,603</u>	<u>7,599,848</u>	<u>(92,391)</u>	<u>7,507,457</u>
31.12.2018						
As at 1.1.2018	163,743	6,529,879	105,607	6,799,229	(79,085)	6,720,144
Net earned contributions	-	-	99,662	99,662	-	99,662
Other revenue	-	-	4,571	4,571	-	4,571
Experience/benefit variation	3,304	-	(1)	3,303	-	3,303
Claims intimated during the year	850,954	(850,954)	-	-	(1,327)	(1,327)
Claims paid during the year	(862,565)	-	(27,287)	(889,852)	-	(889,852)
Other expenses	-	-	(20,301)	(20,301)	-	(20,301)
Taxation	-	-	1,371	1,371	-	1,371
Increase in certificate reserves	-	1,055,793	-	1,055,793	6,610	1,062,403
As at 31.12.2018	<u>155,436</u>	<u>6,734,718</u>	<u>163,622</u>	<u>7,053,776</u>	<u>(73,802)</u>	<u>6,979,974</u>

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19. EXPENSE LIABILITIES

	30.6.2019	31.12.2018
	RM'000	RM'000
Shareholder's Fund/Company		
As at 1.1.2019 / 1.1.2018	445,941	379,794
Movement in unexpired expense reserves (UER)	66,192	21,433
Transfer from Family Takaful Fund		
- Annuity (Note 17)	-	44,714
As at 30.6.2019 / 31.12.2018	<u>512,133</u>	<u>445,941</u>

20. TAKAFUL PAYABLES

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019			
Amounts due to agents and brokers *	1,965	25,057	27,022
Amounts due to retakaful operators	-	3,725	3,725
	<u>1,965</u>	<u>28,782</u>	<u>30,747</u>
31.12.2018			
Amounts due to agents and brokers *	12,428	20,034	32,462
Amounts due to retakaful operators	-	13,481	13,481
	<u>12,428</u>	<u>33,515</u>	<u>45,943</u>

* Included in the amounts due to agents and brokers balances are balances due to related parties amounting to RM Nil (2018: RM174,025). The amounts payable are subject to settlement terms stipulated in the takaful contracts.

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

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21. OTHER LIABILITIES

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019			
Contribution deposits	100	54,940	55,040
ROU lease liabilities	789	-	789
Amount due to Shareholder's Fund*	-	3,048	-
Amounts due to stockbrokers	32,724	63,422	96,146
Unclaimed monies	60	33,423	33,483
Service tax payable	-	6,862	6,862
Surplus payable to participants	-	16,061	16,061
Withholding tax payable	-	20,999	20,999
Amounts due to ultimate holding company*	4,436	7	4,443
Amounts due to immediate holding company*	858	-	858
Amounts due to other related companies*	4,469	-	4,469
Zakat payable	4,631	-	4,631
Provisions for expenses	30,824	-	30,824
Sundry payables and accrued liabilities **	43,160	79,311	122,471
	<u>122,051</u>	<u>278,073</u>	<u>397,076</u>
31.12.2018			
Contribution deposits	223	52,081	52,304
Amount due to Shareholder's Fund*	-	183,538	-
Amounts due to stockbrokers	-	2,069	2,069
Unclaimed monies	99	45,543	45,642
Service tax payable	-	417	417
Surplus payable to participants	-	16,695	16,695
Withholding tax payable	-	25,197	25,197
Amounts due to ultimate holding company*	4,819	376	5,195
Amounts due to immediate holding company*	1,466	-	1,466
Amounts due to other related companies*	4,163	-	4,163
Zakat payable	9,892	-	9,892
Provisions for expenses	32,573	-	32,573
Sundry payables and accrued liabilities **	44,752	105,696	150,448
	<u>97,987</u>	<u>431,612</u>	<u>346,061</u>

* Amounts due to holding companies, related companies and the Shareholder's Fund in the respective funds are non-trade in nature, unsecured, not subject to any profit elements and are repayable upon demand.

** Included in the sundry payables and accrued liabilities are balances due to related parties amounting to RM28,414,401 (2018: RM27,277,309).

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

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22. FEE AND COMMISSION INCOME

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2019 to 30.6.2019			
Wakalah fee income from:			
Family Takaful Fund	187,622	-	-
Profit commission	-	46	46
Others	-	85	85
	<u>187,622</u>	<u>131</u>	<u>131</u>
1.1.2018 to 30.6.2018			
Wakalah fee income from:			
Family Takaful Fund	191,544	-	-
Profit commission	-	105	105
Others	-	77	77
	<u>191,544</u>	<u>182</u>	<u>182</u>

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

23. INVESTMENT INCOME

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2019 to 30.6.2019			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	36,129	148,899	185,028
- HFT			
Profit income	-	1,643	1,643
Dividend income:			
Quoted equity securities in Malaysia	566	5,300	5,866
Financial assets at FVOCI:			
Profit income	6,769	81,507	88,276
Financial assets at AC:			
Profit income	5,573	11,840	17,413
Profit income from financing receivables	345	-	345
Net amortisation of premiums	(481)	(4,478)	(4,959)
Rental income	26	-	26
Other investment income	-	10	10
Investment related expenses	(167)	(917)	(1,084)
	<u>48,760</u>	<u>243,804</u>	<u>292,564</u>

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ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

23. INVESTMENT INCOME (CONTD.)

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2018 to 30.6.2018			
Financial assets at FVTPL:			
- Designated upon initial recognition			
Profit income	46,970	136,491	183,461
- HFT			
Profit income	-	1,072	1,072
Dividend income:			
Quoted equity securities in Malaysia	1,540	11,205	12,745
Quoted unit and property trusts funds outside Malaysia	-	25	25
Financial assets at FVOCI:			
Profit income	-	70,477	70,477
Financial assets at AC:			
Profit income	2,289	9,895	12,184
Profit income from financing receivables	278	-	278
Net (amortisation)/accretion of premiums	(1,103)	1,875	772
Investment related expenses	(92)	(496)	(588)
	<u>49,882</u>	<u>230,544</u>	<u>280,426</u>

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

24. OTHER OPERATING (EXPENSES)/INCOME, NET

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2019 to 30.6.2019			
Other income			
Reversal of impairment losses on:			
- Financing receivables	176	-	176
Processing fee income	43	-	43
Takaful receivables written off (recovered)	-	140	140
Sundry income	349	792	1,141
	<u>568</u>	<u>932</u>	<u>1,500</u>
Other expenses			
Impairment losses on:			
- Investments	(88)	(86)	(174)
- Takaful receivables	-	(481)	(481)
- Other receivables	(35)	-	(35)
Sundry expenditure	(810)	-	(810)
	<u>(933)</u>	<u>(567)</u>	<u>(1,500)</u>
Total Other Operating (Expenses)/Income, net	<u>(365)</u>	<u>365</u>	<u>-</u>
1.1.2018 to 30.6.2018			
Other income			
Reversal of impairment losses on:			
- Investments	-	41	41
- Financing receivables	107	-	107
- Other receivables	37	-	37
Processing fee income	23	-	23
Gain on foreign exchange			
- realised	53	-	53
- unrealised	-	38	38
Sundry income	377	1	378
	<u>597</u>	<u>80</u>	<u>677</u>
Other expenses			
Impairment losses on:			
- Takaful receivables	-	(137)	(137)
Takaful receivables written off	-	(627)	(627)
Realised loss on foreign exchange	-	(52)	(52)
Sundry expenditure	(110)	-	(110)
	<u>(110)</u>	<u>(816)</u>	<u>(926)</u>
Total Other Operating Income/(Expenses), net	<u>487</u>	<u>(736)</u>	<u>(249)</u>

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

25. MANAGEMENT EXPENSES

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2019 to 30.6.2019			
Employee benefits expenses (Note (a))	43,104	10,142	53,246
Directors' remuneration (Note 26)	448	-	448
Shariah Committee remuneration (Note 27)	185	-	185
Auditors' remuneration:			
- statutory audits	191	5	196
- regulatory services	10	-	10
- other services	16	-	16
Depreciation of property, plant and equipment	69	-	69
Amortisation of intangible assets	388	-	388
Right-of-use expenses			
- Depreciation	92	-	92
- Lease interest	16	-	16
Assured medical fees	1,408	-	1,408
Bank and financing charges	1,208	994	2,202
Electronic data processing expenses	5,538	1,009	6,547
Entertainment expenses	104	11	115
Legal fees	17	2	19
Information technology outsourcing	2,166	1	2,167
Office facilities expenses	160	28	188
Other management fees	176	14	190
Postage and stamp duties	424	44	468
Printing and stationery	443	166	609
Professional fees	795	23	818
Promotional and marketing costs	15,847	-	15,847
Rental of offices/premises	2,112	489	2,601
Training expenses	761	90	851
Travelling expenses	500	29	529
Utilities, assessment and maintenance	754	127	881
Other expenses	6,044	630	6,674
	<u>82,976</u>	<u>13,804</u>	<u>96,780</u>

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

25. MANAGEMENT EXPENSES (CONTD.)

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2018 to 30.6.2018			
Employee benefits expenses (Note (a))	34,935	8,105	43,040
Directors' remuneration (Note 26)	398	-	398
Shariah Committee remuneration (Note 27)	102	-	102
Auditors' remuneration:			
- statutory audits	168	8	176
- regulatory services	9	-	9
- other services	12	-	12
Depreciation of property, plant and equipment	99	27	126
Amortisation of intangible assets	343	49	392
Assured medical fees	1,024	(1)	1,023
Bank and financing charges	1,250	785	2,035
Electronic data processing expenses	4,377	(54)	4,323
Entertainment expenses	104	15	119
Legal fees	(2)	2	-
Information technology outsourcing	299	795	1,094
Office facilities expenses	117	33	150
Other management fees	253	9	262
Postage and stamp duties	564	68	632
Printing and stationery	525	128	653
Professional fees	257	95	352
Promotional and marketing costs	28,493	-	28,493
Rental of offices/premises	2,383	470	2,853
Training expenses	375	23	398
Travelling expenses	591	59	650
Utilities, assessment and maintenance	397	89	486
Other expenses	18,201	869	19,070
	<u>95,274</u>	<u>11,574</u>	<u>106,848</u>

ETIQA FAMILY TAKAFUL BERHAD
(Incorporated in Malaysia)

25. MANAGEMENT EXPENSES (CONTD.)

(a) Employee benefits expenses

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
1.1.2019 to 30.6.2019			
Wages, salaries and bonus	32,049	8,197	40,246
EPF	5,384	1,069	6,453
SOCSSO	213	38	251
Share based compensation	391	91	482
Other benefits	5,067	747	5,814
	<u>43,104</u>	<u>10,142</u>	<u>53,246</u>
1.1.2018 to 30.6.2018			
Wages, salaries and bonus	26,217	6,120	32,337
EPF	4,097	888	4,985
SOCSSO	192	45	237
Share based compensation	25	6	31
Other benefits	4,404	1,046	5,450
	<u>34,935</u>	<u>8,105</u>	<u>43,040</u>

(b) The details of remuneration receivable by the CEO during the year are as follows:

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Salaries	383	369
Bonus	518	186
EPF and Pension Scheme	144	89
Share based compensation	35	-
Other emoluments	12	7
	<u>1,092</u>	<u>651</u>

ETIQA FAMILY TAKAFUL BERHAD
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26. DIRECTORS' FEES AND REMUNERATION

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Shareholder's Fund/Company		
Non executive directors:		
Fees	390	360
Other emoluments	58	38
Total Directors' Fees and Remuneration	<u>448</u>	<u>398</u>

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
1.1.2019 to 30.6.2019			
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	90	19	109
Mr. Philippe Pol Arthur Latour (Vice Chairman)	60	8	68
Dato' Mohamed Rafique Merican			
Mohd Wahiduddin Merican	60	6	66
Dato' Johan Ariffin	60	8	68
Dr. Abdul Rahim Abdul Rahman	60	9	69
Mr. Wong Pakshong Kat Jeong Colin Stewart	60	8	68
	<u>390</u>	<u>58</u>	<u>448</u>
1.1.2018 to 30.6.2018			
Non-executive directors:			
Dato' Majid Mohamad (Chairman)	84	10	94
Mr. Philippe Pol Arthur Latour (Vice Chairman)	59	5	64
Dato' Mohamed Rafique Merican			
Mohd Wahiduddin Merican	59	3	62
Dato' Johan Ariffin	59	8	67
Dr. Abdul Rahim Abdul Rahman	59	7	66
Mr. Wong Pakshong Kat Jeong Colin Stewart	40	5	45
	<u>360</u>	<u>38</u>	<u>398</u>

ETIQA FAMILY TAKAFUL BERHAD
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27. SHARIAH COMMITTEE'S REMUNERATION

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Shareholder's Fund/Company		
Fees	123	76
Other emoluments	62	26
Total Shariah Committee's remuneration	<u>185</u>	<u>102</u>

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

	Fees RM'000	Other Emoluments RM'000	Total RM'000
1.1.2019 to 30.6.2019			
Shariah committee:			
Dr. Ahcene Lahsasna (Chairman)	20	11	31
Dr. Sarip Adul	19	10	29
Prof Dr. Rusni Hassan	19	8	27
Prof Dr. Abdul Rahim Abdul Rahman	19	10	29
Prof Dato' Dr. Mohd Azmi Omar	19	11	30
Dato' Dr Anhar Opir	19	10	29
Assoc. Prof Dr. Aznan Hasan (w.e.f May 2019)	8	2	10
	<u>123</u>	<u>62</u>	<u>185</u>
1.1.2018 to 30.6.2018			
Shariah committee:			
Dr. Ahcene Lahsasna (Chairman)	13	4	17
Dr. Ismail Mohd @ Abu Hassan	9	3	12
Dr. Mohammad Deen Mohd Napiah	9	3	12
Dr. Sarip Adul	11	4	15
Prof Dr. Rusni Hassan	11	4	15
Prof Dr. Abdul Rahim Abdul Rahman	11	4	15
Prof Dato' Dr. Mohd Azmi Omar	6	2	8
Dato' Dr Anhar Opir	6	2	8
	<u>76</u>	<u>26</u>	<u>102</u>

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28. INCOME TAX EXPENSE

The major components of income tax expense for the financial period ended 30 June 2019 and 30 June 2018 are as follows :

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
<u>Income Statement</u>		
Shareholder's Fund/Company		
Income tax:		
Tax expense for the period	30,282	21,630
Deferred taxation:		
Relating to origination and reversal of temporary differences	21,273	(5,320)
Income tax expense recognised in Income Statement	<u>51,555</u>	<u>16,310</u>
<u>Statement of Comprehensive Income</u>		
Company		
Deferred income tax related to other comprehensive income:		
- Fair value changes on FVOCI investments		
Shareholder's Fund	(4,292)	(5,320)
Family Takaful Fund	13,437	1,986
	<u>9,145</u>	<u>(3,334)</u>

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28. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax expense and accounting profit

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

Company	1.1.2019 to 30.06.2019 RM'000	1.1.2018 to 30.06.2018 RM'000
Profit before taxation	107,848	57,829
Taxation at Malaysian statutory tax rate of 24%	25,884	13,879
Income not subject to tax	(66,517)	(52,019)
Expenses not deductible for tax purposes	93,436	54,896
Effect of zakat deduction and approved donation	(1,248)	(446)
Tax expense for the period	51,555	16,310

The domestic income tax for Shareholder's Fund are calculated at the Malaysian statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the financial period.

1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
-------------------------------------------------	-------------------------------------------------

Tax Borne by participants

Income Statement

Family Takaful Fund/Company

Income tax:		
Tax expense for the period	68	17
Deferred taxation:		
Relating to origination and reversal of temporary differences	25,999	(11,862)
Tax borne by participants recognised in Income Statement	26,067	(11,845)

The income tax for family takaful funds are calculated on the statutory rate of 8% (2018: 8%) of the estimated assessable investment income net of allowable deductions for the financial period.

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29. OPERATING LEASE COMMITMENTS

As at the reporting date, the Company and Takaful Fund lease their 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:

	30.6.2019	31.12.2018
	RM'000	RM'000
Within 1 year	4,891	5,246
After 1 year but not more than 5 years	19,565	19,587
	<u>24,456</u>	<u>24,833</u>

30. OTHER COMMITMENTS AND CONTINGENCIES

	30.6.2019	31.12.2018
	RM'000	RM'000
Shareholder's Fund		
Approved and contracted for:		
Property, plant and equipment	-	45
	<u>-</u>	<u>45</u>

ETIQA FAMILY TAKAFUL BERHAD
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31. 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, fellow subsidiaries, 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 businesses under normal trade terms.

(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
Income/(expenses):			
1.1.2019 to 30.6.2019			
Ultimate holding company:			
Gross takaful contribution income	-	9,167	9,167
Other fee income	331	-	331
Commission and fee expenses	(2,840)	-	(2,840)
Claims paid	-	(5,255)	(5,255)
Bank charges	(41)	(186)	(227)
Immediate holding company:			
Gross takaful contribution income	-	1,022	1,022
Claims paid	-	(8)	(8)
Shared service costs	(4,524)	(14)	(4,538)
Reimbursement of expenses	(23)	-	(23)
Dividend paid	(75,000)	-	(75,000)
Fellow subsidiaries within the MAHB Group :			
Gross takaful contribution income	-	35	35
Rental income	26	-	26
Claims paid	-	(307)	(307)
Shared service costs	(20,579)	-	(20,579)
Rental expenses	(2,578)	-	(2,578)

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31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES
(CONTD.)

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

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Income/(expenses) (Contd.) :			
1.1.2019 to 30.6.2019 (Contd.)			
Other related companies within the MBB Group:			
Gross takaful contribution income	-	1,249	1,249
Other fee income	15	-	15
Claims paid	-	(8)	(8)
Profit income	2,381	3,947	6,329
Commission and fee expenses	(25,987)	-	(25,987)
Investment expenses	(168)	(916)	(1,084)
Information technology outsourcing	(2,166)	(1)	(2,167)
Companies with significant influence over the MBB Group:			
Gross takaful contribution income	-	8,858	8,858
Claims paid	-	(3,780)	(3,780)
Income/(expenses) :			
1.1.2018 to 30.6.2018			
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 expense	(87)	(469)	(556)
Immediate holding company:			
Gross takaful contribution income	-	776	776
Shared service costs	(6,556)	(9)	(6,565)
Fellow subsidiaries within the MAHB Group:			
Gross takaful contribution income	-	273	273
Rental expense	(2,414)	-	(2,414)
Shared service costs	(18,004)	-	(18,004)
Other related companies within the MBB Group:			
Profit income on deposits	310	2,268	2,578
Other fee income	15	-	15
Gross takaful contribution income	-	1,151	1,151
Information technology outsourcing	(1,094)	-	(1,094)

ETIQA FAMILY TAKAFUL BERHAD
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31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES
(CONTD.)

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

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Income/(expenses) (Contd.) :			
1.1.2018 to 30.6.2018 (Contd.)			
Other related companies within the MBB Group (Contd.):			
Commission and fee expenses	(16,302)	-	(16,302)
Other expenses	(51)	-	(51)
<hr/>			
Companies with significant influence over the MBB Group:			
Gross takaful contribution income	-	4,512	4,512
Interest on subordinated obligation	(1,793)	-	(1,793)
<hr/>			

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

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019			
Ultimate holding company:			
Bank balances	13,739	56,033	69,772
Claims liabilities	-	(219)	(219)
Amount due to ultimate holding company	(4,436)	(7)	(4,443)
Sundry payables and accrued liabilities	(26,234)	-	(26,234)
<hr/>			
Immediate holding company:			
Amount due to immediate holding company	(858)	-	(858)
<hr/>			
Fellow subsidiaries within the MAHB Group:			
Amount due to other related companies	(4,469)	-	(4,469)
<hr/>			
Other related companies within the MBB Group:			
Deposits with financial institutions	121,500	372,803	494,303
Income and profit due and accrued	453	954	1,407
Sundry receivables, deposits and prepayments	3,938	-	3,938
Sundry payables and accrued liabilities	(2,180)	-	(2,180)
<hr/>			

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31. 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.):

	Shareholder's Fund RM'000	Family Takaful Fund RM'000	Company RM'000
30.6.2019 (Contd.)			
Companies with significant influence over the MBB Group:			
Claims liabilities	-	(3)	(3)
31.12.2018			
Ultimate holding company:			
Bank balances	43,625	94,270	137,895
Takaful receivables	-	417	417
Takaful payables	-	(2)	(2)
Sundry receivables, deposits and prepayments	2,867	-	2,867
Sundry payables and accrued liabilities	(25,279)	-	(25,279)
Amount due to ultimate holding company	(4,819)	(376)	(5,195)
Immediate holding company:			
Amount due to immediate holding company	(1,466)	-	(1,466)
Fellow subsidiaries within the MAHB Group:			
Amount due to other related companies	(4,163)	-	(4,163)
Other related companies within the MBB Group:			
Income and profit due and accrued	57	327	385
Deposits with financial institutions	39,961	155,732	195,693
Takaful receivables	-	40	40
Takaful payables	-	(7)	(7)
Sundry receivables, deposits and prepayments	6,247	-	6,247
Sundry payables and accrued liabilities	(1,998)	-	(1,998)
Companies with significant influence over the MBB Group:			
Takaful receivables	-	349	349
Takaful payables	-	(165)	(165)
Subordinated obligations	(80,317)	-	(80,317)

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31. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES DISCLOSURES
(CONTD.)

(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 Directors and CEO.

- (i) The remuneration of key management personnel during the financial period were as follows:

	1.1.2019	1.1.2018
	to	to
	30.6.2019	30.6.2018
	RM'000	RM'000
Short-term employee benefits		
- Fees	448	398
- Salaries, allowances and bonuses	901	555
- EPF and pension scheme	144	89
- Share based compensation	35	-
- Other emoluments	12	7
	<u>1540</u>	<u>1049</u>

- (ii) The number of shares awarded for Employees Share Grant Plan (ESGP) to key management personnel were as follows:

	30.6.2019	31.12.2018
	'000	'000
- Number of ESGP shares awarded	<u>133</u>	<u>121</u>

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32. FAIR VALUE MEASUREMENTS

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 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.

- 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 financial instruments include corporate bonds in illiquid markets, private equity investments and investment properties.

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32. FAIR VALUE MEASUREMENTS (CONTD.)

(a) Fair value measurement and classification within the 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 Non Observable inputs RM'000	
30.6.2019				
<u>Assets</u>				
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	10,426	-	10,426
Unquoted debt securities in Malaysia	-	1,456,354	-	1,456,354
- HFT				
Quoted equity securities in Malaysia	41,964	-	-	41,964
Quoted unit and property trust funds in Malaysia	26,532	-	-	26,532
Financial assets at FVOCI				
Malaysian government papers	-	38,738	-	38,738
Unquoted debt securities in Malaysia	-	445,115	-	445,115
	68,496	1,950,633	-	2,019,129
31.12.2018				
<u>Assets</u>				
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers	-	109,211	-	109,211
Unquoted debt securities in Malaysia	-	1,512,597	-	1,512,597
- HFT				
Quoted equity securities in Malaysia	80,279	-	-	80,279
Quoted unit and property trust funds in Malaysia	24,933	-	-	24,933
Financial assets at FVOCI				
Malaysian government papers	-	29,867	-	29,867
Unquoted debt securities in Malaysia	-	245,412	-	245,412
	105,212	1,897,087	-	2,002,299

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32. FAIR VALUE MEASUREMENTS (CONTD.)

(a) 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	
30.6.2019				
<u>Assets</u>				
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers Unquoted debt securities in Malaysia	-	83,069	-	83,069
	-	6,232,936	-	6,232,936
- HFT				
Malaysian government papers Quoted equity securities in Malaysia	370,855	4,189	-	375,044
Unquoted debt securities in Malaysia	-	52,466	-	52,466
Quoted unit and property trusts funds in Malaysia	306	-	-	306
Deposits with financial institutions	-	15,985	-	15,985
Financial assets at FVOCI				
Malaysian government papers Unquoted debt securities in Malaysia	-	117,237	-	117,237
	-	3,392,199	-	3,392,199
	<u>371,161</u>	<u>9,898,081</u>	<u>-</u>	<u>10,269,242</u>

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32. FAIR VALUE MEASUREMENTS (CONTD.)

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

Family Takaful Fund (Contd.)

	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	
31.12.2018				
<u>Assets</u>				
Financial assets at FVTPL				
- Designated upon initial recognition				
Malaysian government papers Unquoted debt securities in Malaysia	-	168,858	-	168,858
	-	5,713,685	-	5,713,685
- HFT				
Malaysian government papers Quoted equity securities in Malaysia	540,033	7,020	-	540,033
Unquoted debt securities in Malaysia	-	36,806	-	36,806
Quoted unit and property trust funds in Malaysia	266	-	-	266
Financial assets at FVOCI				
Malaysian government papers Unquoted debt securities in Malaysia	-	166,846	-	166,846
	-	3,049,368	-	3,049,368
	540,299	9,142,583	-	9,682,882

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32. FAIR VALUE MEASUREMENTS (CONTD.)

(b) 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 determines 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 2019.

(c) 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. There were no level 3 financial instruments for the Company during the financial period ended 30 June 2019.

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33. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 30 June 2019 and 31 December 2018, as prescribed under the RBCT Framework, is provided below:

Company

	30.6.2019	31.12.2018
	RM'000	RM'000
Eligible Tier 1 Capital		
Paid up share capital	100,000	100,000
Valuation surplus in takaful funds	1,966,616	1,783,526
Retained earnings	1,525,057	1,544,234
	<u>3,591,673</u>	<u>3,427,760</u>
Tier 2 Capital		
FVOCI reserves	204,383	3,982
Qard from Shareholder's Fund / Subordinated obligation	3,992	300,000
	<u>208,375</u>	<u>303,982</u>
Amount deducted from capital	(10,371)	(13,619)
Total Capital Available	<u>3,789,677</u>	<u>3,718,123</u>

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34. EARNINGS PER SHARE

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

	1.1.2019 to 30.6.2019 RM'000	1.1.2018 to 30.6.2018 RM'000
Profit attributable to equity holders	<u>54,225</u>	<u>38,531</u>
	1.1.2019 to 30.6.2019 '000	1.1.2018 to 30.6.2018 '000
Number of ordinary shares in issue		
As at 1.1.2019 / 1.1.2018	100,000	400,000
Capital reduction*	-	(300,000)
As at 30.6.2019 / 30.06.2018	<u>100,000</u>	<u>100,000</u>
	1.1.2019 to 30.6.2019 sen	1.1.2018 to 30.6.2018 sen
Basic earnings per share (sen)	<u>54.23</u>	<u>16.57</u>

* On 19 December 2017, the High Court has granted approval for EFTB to reduce its issued and paid-up capital from 400,000,000 ordinary shares to 100,000,000 ordinary shares amounting from RM400 million to RM100 million. Subsequently, MAHB received a capital repayment of RM300 million from EFTB upon the lodgement to Companies Commission of Malaysia ("CCM") on 21 March 2018.

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

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35. FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF MFRS 16 LEASES

- (i) The adoption of MFRS 16 resulted in the following financial effects to the statement of financial position items of the Company:

A reconciliation of the operating lease commitments on 31 December 2018 to the lease liabilities recognised in the statement of financial position as at 1 January 2019 is shown as below:

Reconciliation of lease liabilities:

Company	RM'000
Operating lease commitments as at 31.12.2018	24,833
Current leases with a lease term of 12 months or less (short-term leases)	(52)
Leases of low-value-assets (low-value leases)	(3)
Variable lease payments	(9,783)
Out of scope	<u>(14,057)</u>
Operating lease commitments as at 1.1.2019 (gross, without discounting)	938
Effect from discounting at the incremental borrowing rate as of 1 January 2019	(75)
Operating lease commitments as at 1.1.2019 (net, discounted)	<u>863</u>
Total lease liabilities as at 1.1.2019	<u>863</u>

- (ii) The quantitative impacts of the first-time application of MFRS 16 as of 31 December 2018/1 January 2019 on the Statement of Financial Position are shown as below:

Shareholder's Fund/Company	MFRS 117 31.12.2018 RM'000	Modified retrospective - adjustments to MFRS 16 RM'000	MFRS 16 1.1.2019 RM'000
ASSETS			
Right-of-use assets	-	863	863
LIABILITIES			
Other liabilities - lease liabilities	-	863	863

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35. FINANCIAL EFFECTS ARISING FROM THE ADOPTION OF MFRS 16 LEASES (CONTD.)

- (iii) The impact of the application of MFRS 16 to the Income Statement for the period ended 30 June 2019 are shown as below:

Shareholder's Fund/Company	1.1.2018 to 30.6.2018 RM'000
Right-of-use	
- Depreciation	92
- Lease interest expenses	16
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The adjustments from the initial application of MFRS 16 reflect the depreciation of ROU assets and ROU interest expense from the compounding of lease liabilities for leases categorised as operating leases until 31 December 2018.

- (iv) The impact of the application of MFRS 16 on the Cash Flows Statement for the period ended 30 June 2019 are shown as below:

Company	1.1.2018 to 30.6.2018 RM'000
Cash flows from operating activities	
Right-of-use	
- Depreciation	92
- Lease interest expenses	16
Cash flows from financing activities	
- Payment of lease liabilities	(90)
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