



ETIQA TAKAFUL BERHAD

(266243-D)

(Incorporated in Malaysia)

**Unaudited Condensed Interim Financial Statements
For the six months period ended 30 June 2012**

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION

Note	30.06.2012				31.12.2011				1.07.2011				
	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	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000	
ASSETS													
Property, plant and equipment	1,766	4	2	1,772	1,459	6	5	1,470	4,678	8	9	4,695	
Intangible assets	10,020	25	692	10,737	12,431	33	911	13,375	12,395	568	1,235	14,198	
Investments	9	720,237	1,164,395	6,780,020	8,664,652	334,970	1,087,295	6,687,934	8,110,199	334,173	974,963	6,281,695	7,590,831
Financing receivables	10	20,886	-	30,502	51,388	21,055	-	40,878	61,933	22,192	1,621	53,486	77,299
Takaful receivables	11	-	134,011	100,686	234,697	-	92,652	68,449	161,101	-	97,618	80,272	177,890
Other receivables		232,942	16,660	112,650	138,917	522,481	11,818	91,606	105,083	499,761	10,634	84,708	100,754
Retakaful assets	14	-	260,165	16,944	277,109	-	278,108	18,832	296,940	-	300,064	21,081	321,145
Deferred tax assets		-	-	-	-	278	-	-	278	365	-	-	365
Cash and bank balances		11,022	28,568	42,329	81,919	18,510	26,130	44,180	88,820	1,166	29,062	20,042	50,270
Investment-linked business assets	16	-	-	70,039	70,039	-	-	70,252	70,252	-	-	120,909	120,909
Total assets		996,873	1,603,828	7,153,864	9,531,230	911,184	1,496,042	7,023,047	8,909,451	874,730	1,414,538	6,663,437	8,458,356
EQUITY, PARTICIPANTS' FUND AND LIABILITIES													
Equity and Participants' Fund													
Share capital		100,000	-	-	100,000	100,000	-	-	100,000	100,000	-	-	100,000
Reserves	12	538,214	-	-	538,214	530,244	-	-	530,244	486,921	-	-	486,921
Participants' fund	13	-	88,720	1,543,817	-	-	87,946	1,476,554	-	-	92,690	1,276,548	-
Takaful investment-linked fund	16	-	-	67,386	-	-	-	67,698	-	-	-	116,880	-
Total equity and participants' fund		638,214	88,720	1,611,203	638,214	630,244	87,946	1,544,252	630,244	586,921	92,690	1,393,428	586,921
Liabilities													
Takaful certificates liabilities	14	-	1,201,715	5,205,817	6,407,532	-	1,137,876	4,846,504	5,984,380	-	1,042,855	4,670,346	5,713,201
Expense liabilities	15	251,211	-	-	251,211	217,973	-	-	217,973	219,057	-	-	219,057
Deferred tax liabilities		4,412	-	-	4,412	7,025	-	-	7,025	8,137	-	-	8,137
Takaful payables		-	84,716	72,495	157,211	-	56,937	69,800	126,737	-	64,691	79,677	144,368
Other payables		80,585	222,620	210,706	327,260	55,722	207,227	508,947	287,758	58,997	209,932	474,543	285,807
Current tax liabilities		22,451	6,057	50,990	79,498	220	6,056	50,990	57,266	1,618	4,370	41,414	47,402
Participants' fund		-	-	-	1,663,239	-	-	-	1,595,514	-	-	-	1,449,434
Investment-linked business liabilities	16	-	-	2,653	2,653	-	-	2,554	2,554	-	-	4,029	4,029
Total liabilities		358,659	1,515,108	5,542,661	8,893,016	280,940	1,408,096	5,478,795	8,279,207	287,809	1,321,848	5,270,009	7,871,435
Total equity, participants' fund and liabilities		996,873	1,603,828	7,153,864	9,531,230	911,184	1,496,042	7,023,047	8,909,451	874,730	1,414,538	6,663,437	8,458,356

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

UNAUDITED INTERIM INCOME STATEMENTS

	1.01.2012 to 30.06.2012				1.07.2011 to 31.12.2011				1.01.2011 to 30.06.2011			
	Shareholder's	General	Family	Company	Shareholder's	General	Family	Company	Shareholder's	General	Family	Company
	fund	takaful fund	takaful fund	RM'000	fund	takaful fund	takaful fund	RM'000	fund	takaful fund	takaful fund	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross Premium	-	443,519	720,002	1,163,521	-	355,715	726,054	1,081,769	-	371,731	746,215	1,117,946
Wakalah fees	188,772	-	-	188,772	109,526	-	-	109,526	127,598	-	-	127,598
Investment income	8,276	21,228	146,878	176,382	6,039	20,589	145,317	171,945	6,650	17,525	130,829	155,004
Cancellation of investment-linked units	-	-	-	-	-	-	(50,137)	(50,137)	-	-	-	-
Operating revenue	197,048	464,747	866,880	1,528,675	115,565	376,304	821,234	1,313,103	134,248	389,256	877,044	1,400,548
Gross earned contributions	-	383,795	720,002	1,103,797	-	369,683	726,054	1,095,737	-	284,578	746,215	1,030,793
Earned contributions ceded to retakaful	-	(43,391)	(11,412)	(54,803)	-	(76,567)	(10,608)	(87,175)	-	(33,567)	(12,729)	(46,296)
Net earned contributions	-	340,404	708,590	1,048,994	-	293,116	715,446	1,008,562	-	251,011	733,486	984,497
Fee and commission income	188,772	5,764	1,592	63,715	109,526	6,145	42	50,706	127,598	13,783	(56)	64,028
Investment income	8,276	21,228	146,878	176,382	6,039	20,589	145,317	171,945	6,650	17,525	130,829	155,004
Realised gains and losses	8,457	14,702	121,511	144,670	1,966	9,290	46,123	57,379	4,571	9,623	33,230	47,424
Fair value gains and losses	-	-	(1,391)	(1,391)	-	-	34,019	34,019	-	-	64,402	64,402
Other operating revenue/ (expenses)	2,850	(2,981)	(3,931)	(4,062)	1,779	3,655	(17,451)	(12,017)	5,125	(1,034)	(4,562)	(471)
Other revenue	208,355	38,713	264,659	379,314	119,310	39,679	208,050	302,032	143,944	39,897	223,843	330,387
Gross benefits and claims paid	-	(184,994)	(309,072)	(494,066)	-	(138,347)	(303,380)	(441,727)	-	(137,877)	(301,191)	(439,068)
Claims ceded to retakaful	-	4,691	2,029	6,720	-	5,536	6,790	12,326	-	17,637	(1,102)	16,535
Gross change to certificate liabilities	-	(4,116)	(482,018)	(486,134)	-	(108,989)	(416,047)	(525,036)	-	(150,508)	(376,719)	(527,227)
Change in certificate liabilities ceded to retakaful	-	(40,008)	(1,888)	(41,896)	-	23,449	(2,249)	21,200	-	106,724	21,081	127,805
Net benefits and claims	-	(224,427)	(790,949)	(1,015,376)	-	(218,351)	(714,886)	(933,237)	-	(164,024)	(657,931)	(821,955)
Management expenses	(68,663)	(366)	(40,361)	(109,390)	(66,350)	(534)	(53,636)	(120,520)	(81,397)	(223)	(31,623)	(113,243)
Change in expense liabilities	(33,237)	-	-	(33,237)	1,084	-	-	1,084	(29,003)	-	-	(29,003)
Fee and commission expenses	(81,406)	(112,055)	(141,939)	(202,987)	(46,856)	(88,029)	(108,123)	(178,001)	(55,169)	(98,985)	(137,393)	(214,250)
Other expenses	(183,306)	(112,421)	(182,300)	(345,614)	(112,122)	(88,563)	(161,759)	(297,437)	(165,569)	(99,208)	(169,016)	(356,496)
Operating profit/(loss) before surplus transfer	25,049	42,269	-	67,318	7,188	25,881	46,851	79,920	(21,625)	27,676	130,382	136,433
Surplus attributable to participants	-	(21,134)	-	(21,134)	-	(12,940)	-	(12,940)	-	(13,838)	-	(13,838)
Surplus transfer from Revenue Accounts:												
- General takaful funds	21,135	(21,135)	-	-	12,941	(12,941)	-	-	13,838	(13,838)	-	-
- Family takaful funds [^]	-	-	-	-	46,851	-	(46,851)	-	130,382	-	(130,382)	-
Profit/Surplus before taxation	46,184	-	-	46,184	66,980	-	-	66,980	122,595	-	-	122,595
Taxation	(34,437)	-	-	(34,437)	(19,725)	-	-	(19,725)	(8,552)	-	-	(8,552)
Zakat	(2,100)	-	-	(2,100)	(3,739)	-	-	(3,739)	(4,392)	-	-	(4,392)
Net profit for the period	9,647	-	-	9,647	43,516	-	-	43,516	109,651	-	-	109,651
Basic earnings per share (sen)	9.65	-	-	9.65	43.52	-	-	43.52	109.65	-	-	109.65

[^] For the period ended 31 December 2011, the transfer from the Family Takaful Fund, amounting to RM46.85 million, represented the Shareholder's Fund share of the surplus of the Family Takaful Fund for the period from 1 July 2011 to 31 December 2011. In respect of the comparatives for 30 June 2011, the transfer from the Family Takaful Fund, amounting to RM130.38 million, represented the Shareholder's Fund share of the surplus of the Family Takaful Fund for the period from 1 July 2010 to 30 June 2011.

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial period ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

UNAUDITED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	1.01.2012 to 30.06.2012				1.07.2011 to 31.12.2011				1.01.2011 to 30.06.2011			
	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	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
Net profit for the period	9,647	-	-	9,647	43,516	-	-	43,516	109,651	-	-	109,651
Other comprehensive income:												
Net gains on AFS financial assets:												
Gains on fair value changes	6,216	12,106	44,229	62,551	1,708	4,666	29,691	36,065	4,110	7,709	47,419	59,238
Realised gain transferred to income statement	(8,452)	(14,702)	(76,593)	(99,747)	(1,966)	(9,290)	(36,960)	(48,216)	(4,571)	(9,623)	(24,508)	(38,702)
Tax effects relating to components of other comprehensive income	559	-	-	559	65	-	-	65	21,930	-	-	21,930
Other comprehensive income attributable to takaful operator	-	2,596	32,364	34,960	-	4,624	7,269	11,893	-	1,914	(22,911)	(20,997)
Other comprehensive income for the period, net of tax	(1,677)	-	-	(1,677)	(193)	-	-	(193)	21,469	-	-	21,469
Total comprehensive income for the period	7,970	-	-	7,970	43,323	-	-	43,323	131,120	-	-	131,120

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CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holder of the Company			
		Non-Distributable	Distributable	
	Share Capital RM'000	Available-for-sale Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
At 1 January 2012	100,000	10,790	519,454	630,244
Total comprehensive income for the period	-	(1,677)	9,647	7,970
At 30 June 2012	<u>100,000</u>	<u>9,113</u>	<u>529,101</u>	<u>638,214</u>
At 1 July 2011	100,000	10,983	475,938	586,921
Total comprehensive income for the period	-	(193)	43,516	43,323
At 31 December 2011	<u>100,000</u>	<u>10,790</u>	<u>519,454</u>	<u>630,244</u>
At 1 January 2011	100,000	(10,486)	325,240	414,754
Total comprehensive income for the period	-	21,469	150,698	172,167
At 30 June 2011	<u>100,000</u>	<u>10,983</u>	<u>475,938</u>	<u>586,921</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

UNAUDITED INTERIM STATEMENT OF CASH FLOWS

	1.01.2012 to 30.06.2012 RM'000	1.07.2011 to 31.12.2011 RM'000	1.01.2011 to 30.06.2011 RM'000
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation and zakat	46,184	66,980	122,595
Adjustments for:			
Depreciation of property, plant and equipment	514	378	1,025
Amortisation of intangible assets	3,156	4,090	2,878
Gain on disposal fixed assets	(5)	-	-
Allowance for impairment of takaful receivables	1,465	(3,798)	932
Net gain on disposal of investments	(139,475)	(52,490)	(37,002)
Investment income	(164,118)	(150,345)	(135,763)
Gross Dividend income	(12,801)	(14,230)	(11,549)
Accretion of discounts	(779)	(8,268)	(9,739)
Fair value gain on investment	2,394	(34,019)	(64,402)
Net reversal of impairment on investment	-	(4,889)	(3,250)
Net provision/(reversal) for impairment in value of investments	13,087	18,229	(2,819)
Increase in unearned contribution reserves	37,659	31,437	46,382
Increase in general takaful fund	21,135	13,469	11,082
Increase in family takaful fund	442,831	376,656	189,747
Operating cash flows before working capital changes	<u>251,247</u>	<u>243,200</u>	<u>110,117</u>
Proceeds from disposal of investments	1,528,571	817,444	481,381
Purchase of investments	(2,372,044)	(1,259,382)	(735,494)
(Increase)/decrease in takaful receivables	(81,083)	28,811	31,266
(Increase)/decrease in other receivables	(4,778)	9,932	(294,987)
(Decrease)/increase in other payables	(2,655)	(13,248)	313,268
Increase/(decrease) in expense liabilities	33,237	(1,084)	248,060
Increase/(decrease) in takaful payables	28,690	(15,477)	18,151
Decrease in financing receivables	11,021	15,355	3,947
Decrease/(increase) in placements of Islamic investment accounts	408,709	(8,583)	(406,090)
Increase in claims liabilities	64,661	106,362	73,575
	<u>(134,424)</u>	<u>(76,670)</u>	<u>(156,806)</u>
Investment income received	146,441	150,497	137,648
Dividend income received	11,207	14,496	11,422
Zakat paid	(4,492)	(305)	(1,379)
Taxation paid	(13,983)	(21,983)	(42,485)
Mudharabah paid to participants	(10,321)	(24,852)	(22,694)
Net cash flows (used in)/generated from operating activities	<u>(5,572)</u>	<u>41,183</u>	<u>(74,294)</u>

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FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS (CONT'D.)

	1.01.2012 to 30.06.2012 RM'000	1.07.2011 to 31.12.2011 RM'000	1.01.2011 to 30.06.2011 RM'000
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets	(721)	(2,497)	(2,186)
Purchase of property, plant and equipment	(614)	(136)	(2,132)
Proceeds from disposal of property and equipment	5	-	(215)
Net cash flows used in investing activities	<u>(1,330)</u>	<u>(2,633)</u>	<u>(4,533)</u>
(Decrease)/increase in cash and cash equivalents	(6,902)	38,550	(78,827)
Cash and cash equivalents at beginning of period	88,821	50,270	129,097
Cash and cash equivalents at end of period	<u>81,919</u>	<u>88,820</u>	<u>50,270</u>
Cash and cash equivalents comprise:			
Cash and bank balances of:			
Shareholder's fund	11,022	18,510	1,166
General takaful fund	28,568	26,130	29,062
Family takaful fund	42,329	44,180	20,042
	<u>81,919</u>	<u>88,820</u>	<u>50,270</u>

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CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2012

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

There have been no significant changes in the nature of the activities of the Company during the financial period from 1 January 2012 to 30 June 2012.

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

The holding and ultimate holding companies of the Company are Maybank Ageas Holdings Berhad ("MAHB") (formerly known as Mayban Ageas Holdings Berhad) 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. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The interim financial statements for the six months period ended 30 June 2012 are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, *Interim Financial Reporting* in Malaysia and Revised Guidelines on Financial Reporting for takaful operators issued by Bank Negara Malaysia ("BNM") and the Takaful Act 1984. It includes Takaful Funds established in accordance with Takaful Act, 1984 in Malaysia which are managed and controlled by the Company as operator of the fund.

The interim financial statements are the Company's first MFRS interim financial statements for part of the period covered by the Company's first MFRS annual financial statements for the year ending 31 December 2012, hence MFRS 1 *First Time Adoption of Malaysian Financial Reporting Standards* has been applied.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the six months financial period ended 31 December 2011.

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.1 Basis of Preparation (Cont'd.)

The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the six months financial period ended 31 December 2011.

2.2 Significant accounting policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the Company's audited financial statements for the six months period ended 31 December 2011, except for the adoption of the following new and revised MFRS, Amendments to MFRS, IC Interpretations and Technical Release:

MFRS 1 First time Adoption of Malaysian Financial Reporting Standards
Amendment to MFRS 7 Disclosures-Transfers of Financial Assets
Amendment to MFRS 112 Deferred tax : Recovery of underlying assets
MFRS 124 Related Party Disclosures

The adoption of the revised standards, amendment and interpretations issued by MASB and revised guidelines issued by BNM which are effective in the current year do not have any material impact to the financial statements of the Company.

3. SEASONALITY OF OPERATIONS

The businesses of the Company was not materially affected by any seasonal or cyclical fluctuations during the six months financial period ended 30 June 2012.

However, as is common for other takaful operators licensed under the Takaful Act 1984, 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 financial period ended 30 June 2012.

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5. CHANGES IN ESTIMATES

There was no change in estimates of amounts reported in prior financial period that has a material effect in the condensed interim financial statements, except for the changes in the accounting policies adopted as described in Note 2.2.

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

There were no issues, repurchases and repayment of debt and equity securities for the six months financial period ended 30 June 2012.

7. DIVIDENDS PAID

No dividend has been paid or declared by the Company since the end of the previous financial period ended 31 December 2011.

8. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company since the end of the previous financial period ended 31 December 2011.

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9. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
30.06.2012			
Available-for-sale ("AFS")	577,432	989,360	2,153,029
Designated upon initial recognition ("FVTPL")	-	-	3,958,919
Loan and receivables ("LAR")	142,805	175,035	668,072
	<u>720,237</u>	<u>1,164,395</u>	<u>6,780,020</u>
31.12.2011			
Available-for-sale ("AFS")	204,222	824,535	1,975,704
Designated upon initial recognition ("FVTPL")	-	-	3,711,116
Loan and receivables ("LAR")	130,748	262,760	1,001,114
	<u>334,970</u>	<u>1,087,295</u>	<u>6,687,934</u>

(i) AFS financial assets

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
30.06.2012			
<u>At fair value:</u>			
Malaysian government papers	2,039	200,598	259,029
Unquoted debt securities in Malaysia	499,310	587,109	1,221,272
Equity securities:			
Quoted in Malaysia	75,868	175,485	638,063
Unquoted in Malaysia	32	-	-
Quoted unit and property trust funds in Malaysia	183	1,833	18,246
Negotiable islamic certificate of deposits	-	24,335	16,419
	<u>577,432</u>	<u>989,360</u>	<u>2,153,029</u>

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9. INVESTMENTS (CONT'D.)

(i) AFS financial assets (Cont'd.)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
31.12.2011			
<u>At fair value:</u>			
Malaysian government papers	2,050	177,601	226,142
Unquoted debt securities in Malaysia	164,816	468,947	1,091,269
Equity securities:			
Quoted in Malaysia	37,170	152,485	625,230
Unquoted in Malaysia	32	-	-
Quoted unit and property trust funds in Malaysia	154	1,580	17,088
Negotiable islamic certificate of deposits	-	23,922	15,975
	<u>204,222</u>	<u>824,535</u>	<u>1,975,704</u>

(ii) FVTPL financial assets

	Family takaful fund RM'000
30.06.2012	
<u>At fair value:</u>	
Malaysian government papers	902,404
Unquoted debt securities in Malaysia	2,957,401
Negotiable islamic certificate of deposits	99,114
	<u>3,958,919</u>
31.12.2011	
<u>At fair value:</u>	
Malaysian government papers	772,039
Unquoted debt securities in Malaysia	2,842,585
Negotiable islamic certificate of deposits	96,492
	<u>3,711,116</u>

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9. INVESTMENTS (CONT'D.)

(iii) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
30.06.2012			
Deposits and placements with financial institutions			
Islamic investment accounts with:			
Licensed banks	114,491	84,703	303,536
Other financial institutions	28,314	90,332	364,536
	<u>142,805</u>	<u>175,035</u>	<u>668,072</u>

31.12.2011

**Deposits and placements with
financial institutions**

Islamic investment accounts with:

Licensed banks	72,739	167,147	628,476
Other financial institutions	58,009	95,613	372,638
	<u>130,748</u>	<u>262,760</u>	<u>1,001,114</u>

Investments maturing after 12 months:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
30.06.2012			
AFS	501,349	604,014	1,640,832
FVTPL	-	-	3,539,080
	<u>501,349</u>	<u>604,014</u>	<u>5,179,912</u>
31.12.2011			
AFS	166,866	543,170	1,290,536
FVTPL	-	-	3,641,965
	<u>166,866</u>	<u>543,170</u>	<u>4,932,501</u>

(iv) Fair value of financial investments

An analysis of the different fair value measurement bases used in the determination of the fair values of investments are further disclosed in Note 21(a) of the condensed interim financial statements.

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10. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
30.06.2012			
Corporate loans	-	3,396	53,995
Staff loans:			
Secured	21,568	-	-
Unsecured	-	-	392
Allowance for impairment losses	(682)	(3,396)	(23,885)
	<u>20,886</u>	<u>-</u>	<u>30,502</u>
Receivable within 12 months	2,040	-	371
Receivable after 12 months	18,846	-	30,131
	<u>20,886</u>	<u>-</u>	<u>30,502</u>
31.12.2011			
Corporate loans	-	3,396	65,648
Staff loans:			
Secured	21,651	-	-
Unsecured	-	-	227
Allowance for impairment losses	(596)	(3,396)	(24,997)
	<u>21,055</u>	<u>-</u>	<u>40,878</u>
Receivable within 12 months	2,277	-	2,705
Receivable after 12 months	18,778	-	38,173
	<u>21,055</u>	<u>-</u>	<u>40,878</u>

The movement in the allowance for impairment account for financing receivables are as follows:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
At 1 Jan 2012	596	3,396	24,997
Impairment losses during the period	113	-	-
Reversal of impairment losses during the period	(27)	-	(1,112)
At 30 June 2012	<u>682</u>	<u>3,396</u>	<u>23,885</u>
At 1 July 2011	596	3,832	24,999
Reversal of impairment losses during the period	-	(436)	(2)
At 31 December 2011	<u>596</u>	<u>3,396</u>	<u>24,997</u>

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10. FINANCING RECEIVABLES (CONT'D.)

The carrying amounts of financing receivables approximate their fair values as these loans are issued at profit rates that are comparable to instruments in the market with similar characteristics and risk profiles and the impact of discounting thereon is not material.

11. TAKAFUL RECEIVABLES

	General takaful fund RM'000	Family takaful fund RM'000
30.06.2012		
Due contributions including agents/ brokers and co-takaful balances	123,036	98,315
Due from retakaful operators	33,683	14,109
	<u>156,719</u>	<u>112,424</u>
Allowance for impairment losses	(22,708)	(11,738)
	<u>134,011</u>	<u>100,686</u>
31.12.2011		
Due contributions including agents/ brokers and co-takaful balances	81,686	74,630
Due from retakaful operators	32,203	10,461
	<u>113,889</u>	<u>85,091</u>
Allowance for impairment losses	(21,237)	(16,642)
	<u>92,652</u>	<u>68,449</u>

The movement in the allowance for impairment account for takaful receivables are as follows:

	General takaful fund RM'000	Family takaful fund RM'000
At 1 Jan 2012	21,237	16,642
Impairment losses during the year	1,471	-
Reversal of impairment losses during the period	-	(4,904)
At 30 June 2012	<u>22,708</u>	<u>11,738</u>
At 1 July 2011	26,531	15,144
Impairment losses during the year	-	1,498
Reversal of impairment losses during the period	(5,294)	-
At 31 December 2011	<u>21,237</u>	<u>16,642</u>

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12. RESERVES

	30.06.2012	31.12.2011
	RM'000	RM'000
Shareholder's fund		
Non-distributable:		
AFS reserves	9,113	10,790
Distributable:		
Retained profits	529,101	519,454
	<u>538,214</u>	<u>530,244</u>

The AFS reserve of the Company arose from the changes in the fair value of the investment assets.

13. PARTICIPANTS' FUND

(a) General takaful fund

	30.06.2012	31.12.2011
	RM'000	RM'000
Accumulated surplus (Note (i))	61,755	58,385
AFS reserves (Note (ii))	26,965	29,561
	<u>88,720</u>	<u>87,946</u>

(i) Accumulated surplus

	30.06.2012	31.12.2011
	RM'000	RM'000
At beginning of period	58,385	58,504
Surplus arising during the period	21,134	12,940
Hibah paid to participants during the period	(17,764)	(13,059)
At end of period	<u>61,755</u>	<u>58,385</u>

(ii) AFS reserves

	30.06.2012	31.12.2011
	RM'000	RM'000
At beginning of period	29,561	34,185
Net gain on fair value changes	12,106	4,666
Realised gain transferred to income statement	(14,702)	(9,290)
At end of period	<u>26,965</u>	<u>29,561</u>

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13. PARTICIPANTS' FUND (CONT'D.)

(b) Family takaful fund

	30.06.2012	31.12.2011
	RM'000	RM'000
Accumulated surplus (Note (i))	1,383,884	1,284,257
Qardhul Hasan* (Note (ii))	36,684	36,684
AFS reserves (Note (iii))	123,249	155,613
	<u>1,543,817</u>	<u>1,476,554</u>

(i) Accumulated surplus

	30.06.2012	31.12.2011
	RM'000	RM'000
At beginning of period	1,386,425	1,296,050
Surplus arising during the period	168,945	102,168
Hibah paid to participants during the period	(2,541)	(11,793)
Surplus attributable to participants during the period	<u>(168,945)</u>	<u>(102,168)</u>
At end of period	<u>1,383,884</u>	<u>1,284,257</u>

(ii) Qardhul Hasan*

	30.06.2012	31.12.2011
	RM'000	RM'000
At beginning/end of period	<u>36,684</u>	<u>36,684</u>

* Qardhul Hasan is a benevolent loan provided by the shareholder's fund to make good the actuarial valuation deficit experienced by the group family takaful fund. It does not have any profit elements, is unsecured and is repayable out of future surpluses of the group family takaful fund.

(iii) AFS reserves

	30.06.2012	31.12.2011
	RM'000	RM'000
At beginning of period	155,613	162,882
Net gain on fair value changes	44,229	29,691
Realised gain transferred to income statement	<u>(76,593)</u>	<u>(36,960)</u>
At end of period	<u>123,249</u>	<u>155,613</u>

ETIQA TAKAFUL BERHAD
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14. TAKAFUL CERTIFICATE LIABILITIES

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2012			
Claims liabilities (Note (i))	665,915	(218,221)	447,694
Contribution liabilities (Note (ii))	535,800	(41,944)	493,856
	<u>1,201,715</u>	<u>(260,165)</u>	<u>941,550</u>
31.12.2011			
Claims liabilities (Note (i))	661,800	(258,229)	403,571
Contribution liabilities (Note (ii))	476,076	(19,879)	456,197
	<u>1,137,876</u>	<u>(278,108)</u>	<u>859,768</u>

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2012			
At beginning of period	661,800	(258,229)	403,571
Claims incurred in the current accident period	218,884	(10,534)	208,350
Movement in claims incurred in prior accident period	(33,449)	37,372	3,923
Claims paid during the period	(184,994)	4,691	(180,303)
Movements in PRAD	3,674	8,479	12,153
At end of the period	<u>665,915</u>	<u>(218,221)</u>	<u>447,694</u>
31.12.2011			
At beginning of period	552,811	(234,780)	318,031
Claims incurred in the current accident period	437,396	(112,272)	325,124
Movement in claims incurred in prior accident period	(305,783)	150,913	(154,870)
Claims paid during the period	(138,346)	5,536	(132,810)
Movements in PRAD	115,722	(67,626)	48,096
At end of the period	<u>661,800</u>	<u>(258,229)</u>	<u>403,571</u>

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14. TAKAFUL CERTIFICATE LIABILITIES

(a) General takaful fund

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2012			
At beginning of the period	476,076	(19,879)	456,197
Contributions written in the period	443,519	(65,456)	378,063
Contributions earned during the period	<u>(383,795)</u>	<u>43,391</u>	<u>(340,404)</u>
At end of the period	<u>535,800</u>	<u>(41,944)</u>	<u>493,856</u>
31.12.2011			
At beginning of the period	490,044	(65,284)	424,760
Contributions written in the period	355,715	(31,162)	324,553
Contributions earned during the period	<u>(369,683)</u>	<u>76,567</u>	<u>(293,116)</u>
At end of the period	<u>476,076</u>	<u>(19,879)</u>	<u>456,197</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
30.06.2012			
Provision for outstanding claims (Note (ii))	146,084	-	146,084
Actuarial liabilities (Note (ii))	4,890,788	(16,944)	4,873,844
Surplus attributable to participants	<u>168,945</u>	<u>-</u>	<u>168,945</u>
	<u>5,205,817</u>	<u>(16,944)</u>	<u>5,188,873</u>
31.12.2011			
Provision for outstanding claims (Note (ii))	125,546	-	125,546
Actuarial liabilities (Note (ii))	4,618,790	(18,832)	4,599,958
Surplus attributable to participants	<u>102,168</u>	<u>-</u>	<u>102,168</u>
	<u>4,846,504</u>	<u>(18,832)</u>	<u>4,827,672</u>

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14. 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	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
30.06.2012					
As at 1 January 2012	125,546	4,618,790	4,744,336	(18,832)	4,725,504
Net earned contribution	-	-	-	(11,412)	(11,412)
Experience/benefit variation	20,538	(20,538)	-	9,383	9,383
Claims intimated during the period	309,072	(329,610)	(20,538)	-	(20,538)
Claims paid during the period	(309,072)	-	(309,072)	2,029	(307,043)
Increase in certificate reserves	-	622,146	622,146	1,888	624,034
As at 30 June 2012	<u>146,084</u>	<u>4,890,788</u>	<u>5,036,872</u>	<u>(16,944)</u>	<u>5,019,928</u>
31.12.2011					
As at 1 July 2011	104,725	4,346,553	4,451,278	(21,081)	4,430,197
Net earned contribution	-	-	-	(10,608)	(10,608)
Experience/benefit variation	20,821	(20,821)	-	3,818	3,818
Claims intimated during the period	303,380	(324,201)	(20,821)	-	(20,821)
Claims paid during the period	(303,380)	-	(303,380)	6,790	(296,590)
Increase in certificate reserves	-	617,259	617,259	2,249	619,508
As at 31 December 2011	<u>125,546</u>	<u>4,618,790</u>	<u>4,744,336</u>	<u>(18,832)</u>	<u>4,725,504</u>

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15. EXPENSE LIABILITIES

	30.06.2012	31.12.2011	
	RM'000	RM'000	
Shareholder's fund			
Expense liabilities for general takaful fund:			
Provision for unearned wakalah fees	82,080	72,992	
Expense liabilities for family takaful fund:			
Unexpired expense reserve ("UER")	169,131	144,981	
	<u>251,211</u>	<u>217,973</u>	
	General	Family	
	takaful fund	takaful fund	
	RM'000	RM'000	
		Total	
		RM'000	
30.06.2012			
At beginning of the period	72,992	144,981	217,973
Wakalah fee received during the period	112,055	-	112,055
Wakalah fee earned during the period	(102,967)	-	(102,967)
Movement in provision for UER	-	24,150	24,150
At end of the period	<u>82,080</u>	<u>169,131</u>	<u>251,211</u>
31.12.2011			
At beginning of the period	66,941	152,116	219,057
Wakalah fee received during the period	88,029	-	88,029
Wakalah fee earned during the period	(81,978)	-	(81,978)
Movement in provision for UER	-	(7,135)	(7,135)
At end of the period	<u>72,992</u>	<u>144,981</u>	<u>217,973</u>

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16. INVESTMENT-LINKED FUND

(a) Statement of financial position

	30.06.2012	31.12.2011	1.07.2011
	RM'000	RM'000	RM'000
Assets			
Financial assets at FVTPL	69,495	69,676	120,246
Other receivables	445	513	526
Deferred tax assets	-	55	124
Cash and bank balances	99	8	13
Total investment-linked business assets	70,039	70,252	120,909
Liabilities			
Deferred tax liabilities	-	118	795
Other payables	1,504	1,458	2,164
Current tax liabilities	1,149	978	1,070
Total investment-linked business liabilities	2,653	2,554	4,029
Net asset value ("NAV") of funds	67,386	67,698	116,880
Unitholders' accounts	67,386	67,698	116,880

(b) Income Statement

	1.01.2012 to	1.07.2011 to	1.01.2011 to
	30.06.2012	31.12.2011	30.06.2011
	RM'000	RM'000	RM'000
Investment income	1,335	1,536	1,712
Realised gains and losses	(12)	7,879	17,050
Fair value losses	(41)	(8,397)	(15,834)
Other operating revenue	67	471	124
Other revenue	1,349	1,489	3,052
Net benefits and claims	(1,219)	-	-
Management expenses	(2)	(9)	(7)
Fee and commission expenses	(331)	(504)	(808)
Other expenses	(333)	(513)	(815)
(Excess of outgo over income)/			
Excess of income over outgo			
before taxation	(203)	976	2,237

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16. INVESTMENT-LINKED FUND (CONT'D.)

(b) Income Statement (Cont'd.)

	1.01.2012 to 30.06.2012 RM'000	1.07.2011 to 31.12.2011 RM'000	1.01.2011 to 30.06.2011 RM'000
(Excess of outgo over income)/ Excess of income over outgo before taxation (cont'd.)	(203)	976	2,237
Taxation	<u>(108)</u>	<u>(21)</u>	<u>(134)</u>
(Excess of outgo over income)/ Excess of income over outgo after taxation	<u>(311)</u>	<u>955</u>	<u>2,103</u>

17. CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report since the last annual reporting date.

18. 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:

	30.06.2012 RM'000	31.12.2011 RM'000
Within 1 year	8,035	8,080
After 1 year but not more than 5 years	<u>15,383</u>	<u>30,458</u>
	<u>23,418</u>	<u>38,538</u>

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19. CAPITAL COMMITMENTS

	30.06.2012	31.12.2011
	RM'000	RM'000
Shareholder's fund		
Approved and contracted for:		
Intangible assets	21,393	11,918
Approved and not contracted for:		
Intangible assets	1,250	-

20. CHANGES IN MATERIAL LITIGATION

In March 2006, the Company was served with a writ of summons from Koperasi Serbaguna Pekerja-Pekerja Malaysia Berhad ("KOP") for recovery of alleged unsettled certificate benefits claims for the period from 1 May 2002 to 30 April 2003 amounting to RM11.3 million together with 8% pre-judgment interest and 4% post-judgment interests. Nonetheless, the Company had filed for an appeal against the decision of the KLHC as well as a stay of execution of the Judgment. The appeal was heard on 28 June 2012 but the Court of Appeal held in favour of KOP and simultaneously deemed the stay of execution granted to the Company to be inoperative. On 6 July 2012, the Company had made payment of RM16.1 million to KOP via its solicitor.

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21. FAIR VALUES HIERARCHY

The Company uses the following hierarchy for determining the fair value of all financial instruments carried at fair value:

- Level 1 : Active Market – quoted price

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

- 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 over-the-counter ("OTC") derivatives, corporate and other government bonds and less liquid equities.

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

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

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and highly structured OTC derivatives.

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21. FAIR VALUES HIERARCHY (CONT'D.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy

Shareholder's Fund

	Valuation technique using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
30.06.2012				
<u>Assets</u>				
AFS financial assets:				
Equity securities	75,868	-	32	75,900
MGS / GII / MGGB	-	150,383	-	150,383
Other debt securities, structured deposits and NICDs	-	350,966	-	350,966
Trust funds	183	-	-	183
Total assets	76,051	501,349	32	577,432
31.12.2011				
<u>Assets</u>				
AFS financial assets:				
Equity securities	37,170	-	32	37,202
MGS / GII / MGGB	-	77,675	-	77,675
Other debt securities, structured deposits and NICDs	-	89,191	-	89,191
Trust funds	154	-	-	154
Total assets	37,324	166,866	32	204,222

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21. FAIR VALUES HIERARCHY (CONT'D.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (Cont'd.)

General takaful fund

	Valuation technique using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
30.06.2012				
<u>Assets</u>				
AFS financial assets:				
Equity securities	175,485	-	-	175,485
MGS / GII / MGGB	-	296,551	-	296,551
Other debt securities, structured deposits and NICDs	-	515,491	-	515,491
Trust funds	1,833	-	-	1,833
Total assets	177,318	812,042	-	989,360
31.12.2011				
<u>Assets</u>				
AFS financial assets:				
Equity securities	152,484	-	-	152,484
MGS / GII / MGGB	-	284,287	-	284,287
Other debt securities, structured deposits and NICDs	-	386,184	-	386,184
Trust funds	1,580	-	-	1,580
Total assets	154,064	670,471	-	824,535

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21. FAIR VALUES HIERARCHY (CONT'D.)

(a) Fair Value Disclosures Based on 3-Level Hierarchy (Cont'd.)

Family takaful fund	Valuation technique using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Using observable inputs RM'000	Level 3 Using significant unobservable inputs RM'000	
30.06.2012				
<u>Assets</u>				
AFS financial assets:				
Equity securities	638,063	-	-	638,063
MGS / GII / MGGB	-	582,409	-	582,409
Other debt securities, structured deposits and NICDs	-	914,311	-	914,311
Trust funds	7,565	-	10,682	18,247
Financial assets at FVTPL:				
- Designated upon initial recognition				
MGS / GII / MGGB	-	1,430,904	-	1,430,904
Other debt securities, structured deposits and NICDs	-	2,528,014	-	2,528,014
Total assets	645,628	5,455,638	10,682	6,111,948
31.12.2011				
<u>Assets</u>				
AFS financial assets:				
Equity securities	625,230	-	-	625,230
MGS / GII / MGGB	-	459,783	-	459,783
Other debt securities, structured deposits and NICDs	-	873,603	-	873,603
Trust funds	6,498	-	10,590	17,088
Financial assets at FVTPL:				
- Designated upon initial recognition				
MGS / GII / MGGB	-	1,255,525	-	1,255,525
Other debt securities, structured deposits and NICDs	-	2,455,591	-	2,455,591
Total assets	631,728	5,044,502	10,590	5,686,820

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

21. FAIR VALUES HIERARCHY (CONT'D.)

(b) Reconciliation of Level 3 fair value hierarchy

	Financial instruments measured at fair value		
	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000
AFS financial assets			
30.06.2012			
As at 1 January 2012	32	-	10,590
Net fair value loss recognised in other comprehensive income	-	-	92
As at 30 June 2012	<u>32</u>	<u>-</u>	<u>10,682</u>
31.12.2011			
As at 1 July 2011	230	-	11,061
Net fair value loss recognised in other comprehensive income	(198)	-	(471)
As at 31 December 2011	<u>32</u>	<u>-</u>	<u>10,590</u>