



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

Unaudited Interim Financial Statements
For the six months period ended 30 June 2013

266243-D

ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

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ETIQA TAKAFUL BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITIONS
AS AT 30 JUNE 2013

	Note	30.06.2013				31.12.2012			
		Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
ASSETS									
Property, plant and equipment		11,643	10	266	11,919	10,871	19	473	11,363
Investments	10	1,058,875	1,240,172	7,654,080	9,953,127	877,094	1,251,862	7,321,356	9,450,312
Financing receivables	11	20,762	-	14,423	35,185	20,319	-	16,922	37,241
Retakaful assets	13	-	180,707	15,506	196,213	-	273,365	18,634	291,999
Deferred tax assets		454	-	-	454	-	-	-	-
Trade and other receivables		114,631	13,012	100,829	133,077	246,091	19,311	112,566	142,307
Takaful receivables		-	100,069	176,377	276,446	-	106,692	97,362	204,054
Qard receivables		36,684	-	-	-	36,684	-	-	-
Cash and bank balances		20,530	73,535	35,280	129,345	16,486	20,240	40,041	76,767
Total assets		1,263,579	1,607,505	7,996,761	10,735,766	1,207,545	1,671,489	7,607,354	10,214,043
EQUITY AND LIABILITIES									
Share capital		100,000	-	-	100,000	100,000	-	-	100,000
Retained earnings		700,207	-	-	700,207	645,177	-	-	645,177
Fair value reserve		12,892	-	-	12,892	14,119	-	-	14,119
Total equity		813,099	-	-	813,099	759,296	-	-	759,296
Liabilities									
Takaful contract liabilities	13	-	1,222,402	5,456,439	6,678,841	-	1,294,156	5,303,482	6,597,638
Participants' fund	12	-	159,240	2,255,476	2,414,716	-	123,172	1,929,239	2,052,411
Provisions		332,747	-	-	332,747	306,128	-	-	306,128
Takaful payables		5,728	90,393	63,914	160,035	3,008	89,183	61,247	153,438
Qard payables		-	-	36,684	-	-	-	36,684	-
Deferred tax liabilities		5,781	-	-	5,781	5,245	-	67	5,312
Trade and other payables		89,266	135,470	181,107	310,448	122,986	164,978	273,638	325,941
Tax payables		16,958	-	3,141	20,099	10,882	-	2,997	13,879
Total liabilities		450,480	1,607,505	7,996,761	9,922,667	448,249	1,671,489	7,607,354	9,454,747
Total equity and liabilities		1,263,579	1,607,505	7,996,761	10,735,766	1,207,545	1,671,489	7,607,354	10,214,043

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

ETIQA TAKAFUL BERHAD
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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2013

	1.1.2013 to 30.6.2013				1.1.2012 to 30.6.2012			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Revenue								
Wakalah fee income	312,891	-	-	-	188,772	-	-	-
Gross contributions	-	445,377	900,677	1,345,900	-	443,519	720,002	1,163,377
Contribution ceded to retakaful	-	(51,576)	(7,500)	(59,076)	-	(65,456)	(11,412)	(76,868)
Net contributions	-	393,801	893,177	1,286,824	-	378,063	708,590	1,086,509
Change in unearned contribution reserve	-	10,830	-	10,830	-	(37,659)	-	(37,659)
Net earned contributions	-	404,631	893,177	1,297,654	-	340,404	708,590	1,048,850
Gross benefits and claims paid	-	(298,946)	(384,020)	(682,966)	-	(184,994)	(351,367)	(536,361)
Claims ceded to retakaful	-	75,578	4,587	80,165	-	4,691	2,029	6,720
Gross change to certificate liabilities	-	66,273	(195,564)	(507,311)	-	(4,115)	(271,998)	(465,880)
Change in certificate liabilities ceded to retakaful	-	(98,007)	(3,015)	(101,022)	-	(40,008)	(1,888)	(41,896)
Net benefits and claims	-	(255,102)	(578,012)	(1,211,134)	-	(224,426)	(623,224)	(1,037,417)
Other income								
Surplus sharing from :								
Family takaful	-	-	-	-	-	-	-	-
General takaful	36,445	-	-	-	21,135	-	-	-
Commission income	-	6,447	1,617	8,064	-	5,592	1,592	7,184
Realised gains and losses	11,427	25,072	90,885	127,384	8,452	14,702	121,500	144,654
Investment income	19,647	23,565	176,940	220,152	8,277	19,507	148,213	175,997
Fair value gains and losses	-	-	(27,923)	(27,923)	-	-	(1,432)	(1,432)
Other operating income	144	901	10,987	12,032	3,932	445	6,265	10,642
	67,663	55,985	252,506	339,709	41,796	40,246	276,138	337,045
Other expenses								
Surplus sharing with takaful operator	-	(36,445)	-	-	-	(21,135)	-	-
Wakalah fee expenses	-	(112,580)	(200,311)	-	-	(112,055)	(76,717)	-
Commission expenses	(132,049)	-	(21,478)	(153,527)	(81,406)	(38)	(61,836)	(143,280)
Change in expense liabilities	(26,619)	-	-	(26,619)	(33,237)	-	-	(33,237)
Other operating expenses	(115,085)	(1,447)	(22,904)	(139,282)	(69,741)	(1,861)	(54,210)	(125,668)
	(273,753)	(150,472)	(244,693)	(319,428)	(184,384)	(135,089)	(192,763)	(302,185)

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UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2013

	1.1.2013 to 30.6.2013				1.1.2012 to 30.6.2012			
	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000	Takaful Operator RM'000	General Takaful Fund RM'000	Family Takaful Fund RM'000	Company RM'000
Profit before taxation and zakat	106,801	-	-	106,801	46,184	-	109	46,293
Taxation	(48,335)	7,520	6,285	(48,335)	(34,437)	-	(109)	(34,546)
Zakat	(3,436)	-	-	(3,436)	(2,100)	-	-	(2,100)
Surplus attributable to participants	-	(62,562)	(329,263)	-	-	(21,135)	(168,632)	-
Net profit for the period	55,030	-	-	55,030	9,647	-	-	9,647
Other comprehensive income / (loss) :								
Items that may be classified subsequently to profit and loss								
Fair value change of available-for-sale financial assets, net of tax	10,200	11,480	91,272	112,952	6,775	12,107	89,136	108,018
Realised gain transferred to income statement	(11,427)	(25,072)	(90,885)	(127,384)	(8,452)	(14,702)	(121,500)	(144,654)
Surplus attributable to participants	-	13,592	(387)	13,205	-	2,595	32,364	34,959
Other comprehensive income / (loss) for the period	(1,227)	-	-	(1,227)	(1,677)	-	-	(1,677)
Total comprehensive income for the period	53,803	-	-	53,803	7,970	-	-	7,970

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHSPERIOD ENDED 30 JUNE 2013

	Non-Distributable		Distributable	
	Share Capital	Fair value Reserve	Retained Profit	Total Equity
	RM'000	RM'000	RM'000	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 January 2013	100,000	14,119	645,177	759,296
Total comprehensive income for the period	-	(1,227)	55,030	53,803
At 30 June 2013	<u>100,000</u>	<u>12,892</u>	<u>700,207</u>	<u>813,099</u>

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ETIQA TAKAFUL BERHAD
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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2013

	1.1.2013 to 30.06.2013 RM'000	1.1.2012 to 30.06.2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation and zakat	106,801	46,184
Adjustments for:		
Depreciation of property and equipment	606	531
Amortisation of intangible assets	2,653	3,140
Gain on disposal of fixed assets	-	(5)
Fair value loss on investments	27,923	1,432
Realised gain on disposal of investments	(127,383)	(144,654)
Unrealised gain on foreign exchange	(154)	(67)
Realised losses on foreign exchange	27	8
Impairment losses/(reversal of impairment losses) on :		
Investments	7,719	12,304
Takaful receivables	(4,686)	(3,123)
Other receivables	40	(7)
Financing receivables	(6,860)	1,012
Profit income	(205,793)	(166,641)
Gross dividend income	(17,858)	(12,881)
Amortisation of premium	2,608	480
(Decrease) / Increase in net contribution liabilities	(10,830)	37,659
Increase in general takaful fund	62,562	21,135
Increase in family takaful fund	329,263	168,632
Operating cash flows before working capital changes	<u>166,638</u>	<u>(34,861)</u>
Changes in working capital:		
Proceeds from sale of investments	2,590,853	1,512,325
Purchase of investments	(3,192,886)	(2,374,931)
Increase in takaful receivables	(67,706)	(80,147)
Decrease / (increase) in other receivables	25,847	(10,137)
Decrease in other payables	(63,769)	(5,718)
Increase in expense liabilities	26,619	33,237
Increase in takaful payables	6,595	37,578
Decrease in financing receivables	8,916	9,908
Decrease in placements of Islamic Investment accounts	214,725	401,646
Decrease in retakaful assets	98,007	4,115
increase in claims liabilities	92,033	372,336
Operating cash flows after working capital changes	<u>(94,128)</u>	<u>(134,649)</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS (CONT'D.)
FOR SIX MONTHS PERIOD ENDED 30 JUNE 2013

	1.1.2013 to 30.06.2013 RM'000	1.1.2012 to 30.06.2012 RM'000
CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)		
Profit income received	194,348	147,806
Gross dividend income received	14,966	11,207
Zakat paid	(7,337)	(4,492)
Taxation paid	(46,529)	(13,983)
Tax refund	18,643	-
Mudharabah paid to participants	(23,569)	(10,151)
Net cash flows generated from/(used in) operating activities	<u>56,394</u>	<u>(4,262)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cancellation of units	-	(1,219)
Net cash flows used in financing activities	<u>-</u>	<u>(1,219)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of intangible assets	(3,151)	(721)
Purchase of property, plant and equipment	(665)	(614)
Proceeds from disposal of property and equipment	-	5
Net cash flows used in investing activities	<u>(3,816)</u>	<u>(1,330)</u>
Increase/(Decrease) in cash and cash equivalents	52,578	(6,811)
Cash and cash equivalents at beginning of period	76,767	88,829
Cash and cash equivalents at end of period	<u>129,345</u>	<u>82,018</u>
Cash and cash equivalents comprise:		
Cash and bank balances of:		
Shareholder's fund	20,530	11,022
Family takaful fund	35,280	42,428
General takaful fund	73,535	28,568
	<u>129,345</u>	<u>82,018</u>

These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013

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 six months period from 1 January 2013 to 30 June 2013.

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") 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

Basis of Preparation

The unaudited interim financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting in Malaysia, International Financial Reporting Standards ("IFRS") and the Revised Guidelines for Financial Reporting for Takaful Operators issued by Bank Negara ("BNM").

The unaudited interim financial statements of the Company have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency, and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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

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

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Basis of Preparation (cont'd.)

Takaful operations and its funds

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

In accordance with the Takaful Act 1984, the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. Accordingly, in prior years, the financial statements of the takaful operator presented separate statements of financial position, income statements and statements of comprehensive income for the takaful funds to clearly segregate the assets, liabilities, income and expenses of the takaful operator from those of the takaful funds which it manages but does not own. This was a modification to Financial Reporting Standards by Bank Negara Malaysia as permitted under Section 41 of the Takaful Act 1984 in Malaysia.

In full compliance with MFRS 127 *Consolidated and Separate Financial Statements*, the assets, liabilities, income and expenses of the takaful funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the financial and operating policies of the respective funds. Upon consolidation, the related interfund balances and transactions are eliminated in full.

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

The unaudited 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 financial year ended 31 December 2012. 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 financial year ended 31 December 2012.

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3. STATUS OF AUDIT QUALIFICATION

The auditor's report on the audited financial statements of the financial year ending 31 December 2012 does not contain any qualification.

4. SEASONALITY OF OPERATIONS

The operations of the Company was not materially affected by any seasonal or cyclical factors during the six months period ended 30 June 2013.

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

5. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the six months period ended 30 June 2013.

6. 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.

7. 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 2013.

8. DIVIDENDS PAID

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

9. CHANGES IN THE COMPOSITION OF THE COMPANY

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

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10. INVESTMENTS

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2013				
Available-for-sale ("AFS")	972,603	1,062,331	2,406,241	4,441,175
Designated upon initial recognition as at Fair Value Through Profit or Loss ("FVTPL")	-	-	4,762,025	4,762,025
Held for Trading ("HFT")	-	-	-	-
Loans and receivables ("LAR")	86,272	177,841	485,814	749,927
	<u>1,058,875</u>	<u>1,240,172</u>	<u>7,654,080</u>	<u>9,953,127</u>

31.12.2012

Available-for-sale ("AFS")	763,134	1,040,792	2,225,372	4,029,298
Designated upon initial recognition as at Fair Value Through Profit or Loss ("FVTPL")	-	-	4,442,783	4,442,783
Held for Trading ("HFT")	-	-	13,578	13,578
Loans and receivables ("LAR")	113,960	211,070	639,623	964,653
	<u>877,094</u>	<u>1,251,862</u>	<u>7,321,356</u>	<u>9,450,312</u>

(i) AFS financial assets

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2013				
<u>At fair value:</u>				
Malaysian government papers	2,016	288,860	280,794	571,670
Unquoted debt securities in Malaysia	824,398	537,739	1,402,300	2,764,437
Equity securities:				
Quoted in Malaysia	119,468	201,198	671,239	991,905
Unquoted in Malaysia	32	-	-	32
Quoted unit and property trust funds in Malaysia	2,419	5,330	35,167	42,916
Negotiable Islamic certificates of deposit	24,270	29,204	16,741	70,215
	<u>972,603</u>	<u>1,062,331</u>	<u>2,406,241</u>	<u>4,441,175</u>

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10. INVESTMENTS (CONT'D)

(i) AFS financial assets (cont'd)

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
31.12.2012				
<u>At fair value:</u>				
Malaysian government papers	12,157	210,218	277,861	500,236
Unquoted debt securities in Malaysia	657,865	616,182	1,306,083	2,580,130
Equity securities:				
Quoted in Malaysia	91,237	185,617	601,145	877,999
Unquoted in Malaysia	32	-	-	32
Quoted unit and property trust funds in Malaysia	1,843	4,087	23,686	29,616
Negotiable Islamic certificates of deposit	-	24,688	16,597	41,285
	<u>763,134</u>	<u>1,040,792</u>	<u>2,225,372</u>	<u>4,029,298</u>

(ii) Financial assets designated as FVTPL upon initial recognition

	Family takaful fund RM'000	Company RM'000
30.06.2013		
<u>At fair value:</u>		
Malaysian government papers	992,369	992,369
Unquoted debt securities in Malaysia	3,570,583	3,570,583
Negotiable Islamic certificates of deposit	199,073	199,073
	<u>4,762,025</u>	<u>4,762,025</u>
31.12.2012		
<u>At fair value:</u>		
Malaysian government papers	921,405	921,405
Unquoted debt securities in Malaysia	3,421,175	3,421,175
Negotiable Islamic certificates of deposit	100,203	100,203
	<u>4,442,783</u>	<u>4,442,783</u>

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10. INVESTMENTS (CONT'D)

(iii) HFT financial assets

	Family takaful fund RM'000	Company RM'000
30.06.2013		
<u>At fair value:</u>		
Unquoted debt securities in Malaysia	-	-
Foreign notes	-	-
	<u>-</u>	<u>-</u>
31.12.2012		
<u>At fair value:</u>		
Unquoted debt securities in Malaysia	5,847	5,847
Foreign notes	7,731	7,731
	<u>13,578</u>	<u>13,578</u>

(iv) LAR

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2013				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	65,406	117,895	342,091	525,392
Others	20,866	59,946	143,723	224,535
	<u>86,272</u>	<u>177,841</u>	<u>485,814</u>	<u>749,927</u>
31.12.2012				
Deposits and placements with financial institutions				
Islamic investment accounts with:				
Licensed financial institutions	113,824	211,070	630,410	955,304
Others	136	-	9,213	9,349
	<u>113,960</u>	<u>211,070</u>	<u>639,623</u>	<u>964,653</u>

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10. INVESTMENTS (CONT'D.)

Investments maturing after 12 months :

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2013				
AFS	843,504	801,168	1,634,389	3,279,061
FVTPL	-	-	4,619,768	4,619,768
	<u>843,504</u>	<u>801,168</u>	<u>6,254,157</u>	<u>7,898,829</u>
31.12.2012				
AFS	670,022	568,050	1,501,326	2,739,398
FVTPL	-	-	4,221,142	4,221,142
	<u>670,022</u>	<u>568,050</u>	<u>5,722,468</u>	<u>6,960,540</u>

(v) 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 16 of the interim financial statements.

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11. FINANCING RECEIVABLES

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
30.06.2013				
Corporate loans	-	3,331	32,790	36,121
Staff loans:				
Secured	15,996	-	-	15,996
Unsecured	69	-	-	69
Others	5,326	-	18	5,344
Allowance for impairment losses	(629)	(3,331)	(18,385)	(22,345)
	<u>20,762</u>	<u>-</u>	<u>14,423</u>	<u>35,185</u>
Receivable within 12 months	1,224	-	-	1,224
Receivable after 12 months	<u>19,538</u>	<u>-</u>	<u>14,423</u>	<u>33,961</u>
	<u>20,762</u>	<u>-</u>	<u>14,423</u>	<u>35,185</u>
31.12.2012				
Corporate loans	-	3,381	42,099	45,480
Staff loans:				
Secured	18,334	-	-	18,334
Unsecured	115	-	-	115
Others	2,492	-	19	2,511
Allowance for impairment losses	(622)	(3,381)	(25,196)	(29,199)
	<u>20,319</u>	<u>-</u>	<u>16,922</u>	<u>37,241</u>
Receivable within 12 months	2,228	-	-	2,228
Receivable after 12 months	<u>18,091</u>	<u>-</u>	<u>16,922</u>	<u>35,013</u>
	<u>20,319</u>	<u>-</u>	<u>16,922</u>	<u>37,241</u>

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, accordingly, the impact of discounting thereon is not material.

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12. PARTICIPANTS' FUND

	30.06.2013	31.12.2012
	RM'000	RM'000
Takaful funds and Company		
General takaful fund (Note (a))	159,240	123,172
Family takaful fund (Note (b))	2,255,476	1,929,239
	<u>2,414,716</u>	<u>2,052,411</u>
 (a) General takaful fund		
	30.06.2013	31.12.2012
	RM'000	RM'000
Accumulated surplus (Note (i))	140,582	90,922
AFS reserves (Note (ii))	18,658	32,250
	<u>159,240</u>	<u>123,172</u>
 (i) Accumulated surplus		
	30.06.2013	31.12.2012
	RM'000	RM'000
At beginning of period/year	90,922	58,385
Surplus attributable to participants during the period/year	62,562	48,834
Hibah paid to participants during the period/year	(12,902)	(16,297)
At end of period/year	<u>140,582</u>	<u>90,922</u>
 (ii) AFS reserves		
	30.06.2013	31.12.2012
	RM'000	RM'000
At beginning of period/year	32,250	29,561
Net gain on fair value changes	11,480	26,253
Realised gain transferred to income statement	(25,072)	(23,564)
At end of period/year	<u>18,658</u>	<u>32,250</u>

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12. PARTICIPANTS' FUND (CONT'D.)

(b) Family takaful fund

	30.06.2013	31.12.2012
	RM'000	RM'000
Accumulated surplus (Note (i))	2,113,024	1,787,174
AFS reserves (Note (ii))	142,452	142,065
	<u>2,255,476</u>	<u>1,929,239</u>
 (i) Accumulated surplus		
	30.06.2013	31.12.2012
	RM'000	RM'000
At beginning of period/year	1,787,174	1,349,741
Surplus attributable to participants during the period/year	329,263	414,914
Hibah paid to participants during the period/year	(3,413)	22,519
At end of period/year	<u>2,113,024</u>	<u>1,787,174</u>
 (ii) AFS reserves		
	30.06.2013	31.12.2012
	RM'000	RM'000
At beginning of period/year	142,065	155,613
Net gain on fair value changes	91,272	92,236
Realised gain transferred to income statement	(90,885)	(105,784)
At end of period/year	<u>142,452</u>	<u>142,065</u>

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13. TAKAFUL CERTIFICATE LIABILITIES

	Gross RM'000	Retakaful RM'000	Net RM'000
Takaful funds and Company			
30.06.2013			
General takaful fund (Note (a))	1,222,402	(180,707)	1,041,695
Family takaful fund (Note (b))	5,456,439	(15,506)	5,440,933
	<u>6,678,841</u>	<u>(196,213)</u>	<u>6,482,628</u>
31.12.2012			
General takaful fund (Note (a))	1,294,156	(273,365)	1,020,791
Family takaful fund (Note (b))	5,303,482	(18,634)	5,284,848
	<u>6,597,638</u>	<u>(291,999)</u>	<u>6,305,639</u>

(a) General takaful fund

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2013			
Claims liabilities (Note (i))	682,244	(139,500)	542,744
Contribution liabilities (Note (ii))	540,158	(41,207)	498,951
	<u>1,222,402</u>	<u>(180,707)</u>	<u>1,041,695</u>
31.12.2012			
Claims liabilities (Note (i))	748,517	(237,507)	511,010
Contribution liabilities (Note (ii))	545,639	(35,858)	509,781
	<u>1,294,156</u>	<u>(273,365)</u>	<u>1,020,791</u>

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13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

(a) General takaful fund

(i) Claims liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2013			
At beginning of period	748,517	(237,507)	511,010
Claims incurred in the current accident period	265,037	(15,680)	249,357
Movement in claims incurred in prior accident years	(1,479)	8,991	7,512
Claims paid during the period	(298,946)	75,578	(223,368)
Movements in PRAD	(30,885)	29,118	(1,767)
At end of the period	<u>682,244</u>	<u>(139,500)</u>	<u>542,744</u>
31.12.2012			
At beginning of year	661,800	(258,229)	403,571
Claims incurred in the current accident year	479,285	(22,820)	456,465
Movement in claims incurred in prior accident years	(47,371)	32,432	(14,939)
Claims paid during the year	(372,058)	6,707	(365,351)
Movements in PRAD	26,861	4,403	31,264
At end of the year	<u>748,517</u>	<u>(237,507)</u>	<u>511,010</u>

(ii) Contribution liabilities

	Gross RM'000	Retakaful RM'000	Net RM'000
30.06.2013			
At beginning of the period	545,639	(35,858)	509,781
Contributions written during the period	445,377	(51,576)	393,801
Contributions earned during the period	(450,858)	46,227	(404,631)
At end of the period	<u>540,158</u>	<u>(41,207)</u>	<u>498,951</u>

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13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(ii) Contribution liabilities (cont'd)

	Gross RM'000	Retakaful RM'000	Net RM'000
31.12.2012			
At beginning of the year	476,076	(19,879)	456,197
Contributions written during the year	867,259	(96,399)	770,860
Contributions earned during the year	(797,696)	80,420	(717,276)
At end of the year	<u>545,639</u>	<u>(35,858)</u>	<u>509,781</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
30.06.2013			
Provision for outstanding claims (Note (ii))	85,446	(166)	85,280
Actuarial liabilities (Note (ii))	5,370,993	(15,340)	5,355,653
NAV attributable to unitholders (Note (ii))	-	-	-
	<u>5,456,439</u>	<u>(15,506)</u>	<u>5,440,933</u>
31.12.2012			
Provision for outstanding claims (Note (ii))	128,053	(113)	127,940
Actuarial liabilities (Note (ii))	5,118,543	(18,521)	5,100,022
NAV attributable to unitholders (Note (ii))	56,886	-	56,886
	<u>5,303,482</u>	<u>(18,634)</u>	<u>5,284,848</u>

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13. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)

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

(ii) Movements of family takaful certificate liabilities

	Provision for Outstanding Claims RM'000	Actuarial Liabilities RM'000	NAV Attributable to Unitholders RM'000	Gross Liabilities RM'000	Retakaful Assets RM'000	Net Liabilities RM'000
30.06.2013						
As at 1 January 2013	128,053	5,118,543	56,886	5,303,482	(18,634)	5,284,848
Net earned contribution	-	-	-	-	(7,500)	(7,500)
Other revenue	-	-	1,976	1,976	-	1,976
Experience/benefit variation	(214)	-	-	(214)	2,800	2,586
Claims intimated during the period	326,310	(326,310)	-	-	(53)	(53)
Claims paid during the period	(368,703)	-	(57,709)	(426,412)	4,699	(421,713)
Other expenses	-	-	(1,076)	(1,076)	-	(1,076)
Taxation	-	-	(77)	(77)	-	(77)
Increase in certificate reserves	-	578,760	-	578,760	3,182	581,942
As at 30 June 2013	<u>85,446</u>	<u>5,370,993</u>	<u>-</u>	<u>5,456,439</u>	<u>(15,506)</u>	<u>5,440,933</u>
31.12.2012						
As at 1 January 2012	125,546	4,618,790	67,698	4,812,034	(18,832)	4,793,202
Net earned contribution	-	-	-	-	(12,163)	(12,163)
Other revenue	-	-	2,991	2,991	-	2,991
Experience/benefit variation	(9,676)	-	-	(9,676)	8,598	(1,078)
Claims intimated during the year	639,726	(639,726)	-	-	(113)	(113)
Claims paid during the year	(627,543)	-	(12,650)	(640,193)	3,565	(636,628)
Other expenses	-	-	(937)	(937)	-	(937)
Taxation	-	-	(216)	(216)	-	(216)
Increase in certificate reserves	-	1,139,479	-	1,139,479	311	1,139,790
As at 31 December 2012	<u>128,053</u>	<u>5,118,543</u>	<u>56,886</u>	<u>5,303,482</u>	<u>(18,634)</u>	<u>5,284,848</u>

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14. 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:

	30.06.2013	31.12.2012
	RM'000	RM'000
Within 1 year	7,971	8,030
After 1 year but not more than 5 years	29,612	29,886
	<u>37,583</u>	<u>37,916</u>

15. CAPITAL COMMITMENTS

	30.06.2013	31.12.2012
	RM'000	RM'000
Shareholder's fund		
Approved and contracted for:		
Intangible assets	<u>3,897</u>	<u>14,259</u>
Approved and not contracted for:		
Intangible assets	<u>-</u>	<u>6,734</u>

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16. FAIR VALUES OF FINANCIAL ASSETS

Description of Overall Definition of the Fair Value Hierarchy

The Company classify its financial instrument measured at fair value according to the following hierarchy, reflecting the significance of the inputs in making the fair value measurements :

- Level 1 : Active Market – quoted prices

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

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

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

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

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

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.

The following table shows the Company's financial assets that are measured at fair value analysed by level within the fair value hierarchy as at 30 June 2013 and 31 December 2012.

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16. FAIR VALUES OF FINANCIAL ASSETS (CONT'D.)

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

Shareholder's Fund

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
30.06.2013				
<u>Assets</u>				
AFS financial assets:				
Equity securities	119,468	-	32	119,500
Malaysian government papers	-	2,016	-	2,016
Unquoted debt securities in Malaysia	-	824,398	-	824,398
Negotiable Islamic certificates of deposits	-	24,270	-	24,270
Trust funds	2,419	-	-	2,419
Total assets	121,887	850,684	32	972,603
31.12.2012				
<u>Assets</u>				
AFS financial assets:				
Equity securities	91,237	-	32	91,269
Malaysian government papers	-	12,157	-	12,157
Unquoted debt securities in Malaysia	-	657,865	-	657,865
Negotiable Islamic certificates of deposits	-	-	-	-
Trust funds	1,843	-	-	1,843
Total assets	93,080	670,022	32	763,134

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16. FAIR VALUES OF FINANCIAL ASSETS (CONT'D.)

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

General takaful fund

	Valuation techniques using:		Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	
30.06.2013			
<u>Assets</u>			
AFS financial assets:			
Equity securities	201,198	-	201,198
Malaysian government papers	-	288,860	288,860
Unquoted debt securities in Malaysia	-	537,739	537,739
Negotiable Islamic certificates of deposits	-	29,204	29,204
Trust funds	5,330	-	5,330
Total assets	206,528	855,803	1,062,331
31.12.2012			
<u>Assets</u>			
AFS financial assets:			
Equity securities	185,617	-	185,617
Malaysian government papers	-	210,218	210,218
Unquoted debt securities in Malaysia	-	616,182	616,182
Negotiable Islamic certificates of deposits	-	24,688	24,688
Trust funds	4,087	-	4,087
Total assets	189,704	851,088	1,040,792

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16. FAIR VALUES OF FINANCIAL ASSETS (CONT'D.)

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

Family takaful fund

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
30.06.2013				
<u>Assets</u>				
AFS financial assets:				
Equity				
securities	671,239	-	-	671,239
Malaysian				
government				
papers	-	280,794	-	280,794
Unquoted debt				
securities in				
Malaysia	-	1,402,300	-	1,402,300
Negotiable Islamic				
certificates				
of deposits	-	16,741	-	16,741
Trust funds	35,167	-	-	35,167
FVTPL financial				
assets:				
Malaysian				
government				
papers	-	992,369	-	992,369
Unquoted debt				
securities in				
Malaysia	-	3,570,583	-	3,570,583
Negotiable Islamic				
certificates				
of deposits	-	199,073	-	199,073
HFT financial				
investments:				
Unquoted debt				
securities in				
Malaysia	-	-	-	-
Foreign Notes	-	-	-	-
Total assets	706,406	6,461,860	-	7,168,266

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16. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)

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

Family takaful fund

	Valuation techniques using:			Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	Level 3 Significant unobservable inputs RM'000	
31.12.2012				
<u>Assets</u>				
AFS financial assets:				
Equity				
securities	601,145	-	-	601,145
Malaysian				
government				
papers	-	277,861	-	277,861
Unquoted debt				
securities in				
Malaysia	-	1,306,083	-	1,306,083
Negotiable Islamic				
certificates				
of deposits	-	16,597	-	16,597
Trust funds	23,686	-	-	23,686
FVTPL financial				
assets:				
Malaysian				
government				
papers	-	921,405	-	921,405
Unquoted debt				
securities in				
Malaysia	-	3,421,175	-	3,421,175
Negotiable Islamic				
certificates				
of deposits	-	100,203	-	100,203
HFT financial				
investments:				
Unquoted debt				
securities in				
Malaysia	-	5,847	-	5,847
Foreign Notes	-	-	7,731	7,731
Total assets	624,831	6,049,171	7,731	6,681,733

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16. FAIR VALUES OF FINANCIAL ASSETS (CONT'D.)

(b) Reconciliation of Level 3 fair value hierarchy

	Unquoted Equity Securities
	Shareholder's fund
	RM'000
AFS financial assets	
30.06.2013	
As at 1 January/30 June 2013	<u>32</u>
31.12.2012	
As at 1 January/31 December 2012	<u>32</u>
	Foreign Notes
	HFT
	financial assets
	RM'000
Family takaful fund	
30.06.2013	
As at 1 January 2013	7,731
Net fair value loss recognised in other comprehensive income/income statement	773
Disposal	<u>(8,504)</u>
As at 30 June 2013	<u>-</u>
31.12.2012	
As at 1 January 2012	8,506
Net fair value loss recognised in other comprehensive income/income statement	571
Disposal	<u>(1,346)</u>
As at 31 December 2012	<u>7,731</u>

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17. CONTINGENT LIABILITIES

(i) Counter claim on litigated case

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

The Company’s solicitors were of the opinion that the First Defendant bore the burden of proving all allegations against the Company which was contained in the statement of defence and counterclaim. In addition, the First Defendant was obliged to prove, on the balance of probabilities, the loss and damage purportedly suffered as a result of the Company’s actions at the material time. The Company’s application for Summary Judgment was heard on 14 May 2009 and allowed by the Kuala Lumpur High Court (“KLHC”). In addition, the KLHC ordered that the First Defendant’s counter claim against the Company be dismissed.

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

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

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

The First, Second and Fourth Defendants had filed for appeal against the decision dated 21 September 2011 to the Court of Appeal and on 16 April, 2013, the Court had dismissed the appeal with cost of RM10,000 for each appeal. The First, Second and Fourth Defendants then filed their respective applications to the Federal Court for leave to appeal against the decision of the Court of Appeal dated 16 April, 2013. The application for leave to appeal has been fixed for hearing at the Federal Court on 17 September, 2013.

The solicitors of the Company are of the view that the Company has a more than even chance of success based on the merits of the case and, accordingly, the Company should be able to maintain the judgment at the disbursed sum less payments received to date.