



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

**Unaudited Condensed Interim Financial Statements**  
**For the six months period ended 30 June 2016**

266243-D

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

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

**UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2016**

	Note	30.06.2016				31.12.2015			
		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
<b>ASSETS</b>									
Property, plant and equipment		1,047	-	-	1,047	816	-	-	816
Intangible assets		5,102	-	-	5,102	5,381	-	-	5,381
Investments	11	2,319,342	1,577,128	9,072,087	12,945,899	2,036,420	1,596,575	8,716,748	12,327,627
Financing receivables		18,495	-	-	18,495	19,924	-	3,300	23,224
Retakaful assets	12	-	194,651	44,222	238,873	-	200,860	36,129	236,989
Takaful receivables		-	79,090	130,020	209,110	-	85,479	89,732	175,211
Other receivables		105,868	50,590	105,175	189,465	246,215	17,372	90,809	149,889
Deferred tax assets		2,927	-	-	-	12,719	5,835	5,274	23,828
Qard receivable		36,684	-	-	-	36,684	-	-	-
Current tax assets		13,558	4,696	22,776	41,030	4,396	3,883	20,335	28,614
Cash and bank balances		20,404	114,004	88,830	223,238	14,326	51,037	61,178	126,541
<b>Total assets</b>		<b>2,523,427</b>	<b>2,020,159</b>	<b>9,463,110</b>	<b>13,872,259</b>	<b>2,376,881</b>	<b>1,961,041</b>	<b>9,023,505</b>	<b>13,098,120</b>
<b>EQUITY, LIABILITIES AND PARTICIPANTS' FUNDS</b>									
<b>Equity</b>									
Share capital		400,000	-	-	400,000	400,000	-	-	400,000
Reserves		1,205,897	-	-	1,204,239	1,133,721	-	-	1,132,605
<b>Total equity</b>		<b>1,605,897</b>	<b>-</b>	<b>-</b>	<b>1,604,239</b>	<b>1,533,721</b>	<b>-</b>	<b>-</b>	<b>1,532,605</b>
<b>Liabilities and Participants' Funds</b>									
Participants' funds	13	-	148,364	2,733,348	2,881,712	-	116,893	2,521,759	2,638,652
Takaful certificate liabilities	14	-	1,551,428	6,298,900	7,829,328	-	1,505,903	6,135,081	7,619,984
Qard payable		-	-	36,684	-	-	-	36,684	-
Subordinated obligation		300,000	-	-	300,000	300,000	-	-	300,000
Expense liabilities		519,820	-	-	519,820	470,531	-	-	470,531
Deferred tax liabilities		-	151	5,745	2,969	-	-	-	-
Takaful payables		5,837	39,618	56,566	102,021	6,034	41,729	38,854	86,617
Other payables		90,734	280,598	331,867	631,031	65,406	296,516	291,127	448,542
Profit payable on subordinated obligation		1,139	-	-	1,139	1,189	-	-	1,189
<b>Total liabilities and participants' funds</b>		<b>917,530</b>	<b>2,020,159</b>	<b>9,463,110</b>	<b>12,268,020</b>	<b>843,160</b>	<b>1,961,041</b>	<b>9,023,505</b>	<b>11,565,515</b>
<b>Total equity, liabilities and participants' funds</b>		<b>2,523,427</b>	<b>2,020,159</b>	<b>9,463,110</b>	<b>13,872,259</b>	<b>2,376,881</b>	<b>1,961,041</b>	<b>9,023,505</b>	<b>13,098,120</b>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.

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

**UNAUDITED CONDENSED INTERIM INCOME STATEMENT**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	6 months period ended 30.06.2016				6 months period ended 30.06.2015			
	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
<b>Operating revenue</b>	<b>356,678</b>	<b>634,949</b>	<b>811,210</b>	<b>1,492,967</b>	<b>309,556</b>	<b>581,107</b>	<b>821,645</b>	<b>1,442,317</b>
Gross earned contributions	-	592,288	618,578	1,210,817	-	521,137	642,789	1,163,819
Earned contributions ceded to retakaful	-	(42,571)	(26,255)	(68,826)	-	(52,081)	(14,705)	(66,786)
<b>Net earned contributions</b>	<b>-</b>	<b>549,717</b>	<b>592,323</b>	<b>1,141,991</b>	<b>-</b>	<b>469,056</b>	<b>628,084</b>	<b>1,097,033</b>
Fee and commission income	309,821	7,785	89	7,874	269,884	6,206	412	6,618
Investment income	46,857	34,837	192,632	274,326	39,672	29,687	178,856	248,215
Net realised gains	5,088	8,025	32,326	45,439	8,333	5,651	45,710	59,694
Net fair value (losses)/gains	-	(369)	105,809	105,440	-	635	46,502	47,137
Other operating expenses	(844)	(1,101)	(8,632)	(10,577)	(11,803)	(3,308)	(85,136)	(100,247)
<b>Other revenue</b>	<b>360,922</b>	<b>49,177</b>	<b>322,224</b>	<b>422,502</b>	<b>306,086</b>	<b>38,871</b>	<b>186,344</b>	<b>261,417</b>
Gross benefits and claims paid	-	(297,786)	(396,002)	(693,788)	-	(281,447)	(313,805)	(595,252)
Claims ceded to retakaful	-	14,465	10,472	24,937	-	55,746	16,743	72,489
Gross change to certificate liabilities	-	(37,701)	(159,504)	(463,005)	-	(88,164)	(247,279)	(471,933)
Change in certificate liabilities ceded to retakaful	-	(13,404)	8,093	(5,311)	-	15,968	8,231	24,199
<b>Net benefits and claims</b>	<b>-</b>	<b>(334,426)</b>	<b>(536,941)</b>	<b>(1,137,167)</b>	<b>-</b>	<b>(297,897)</b>	<b>(536,110)</b>	<b>(970,497)</b>
Management expenses	(137,188)	(497)	(12,391)	(150,027)	(131,753)	(382)	(17,100)	(149,128)
Change in expense liabilities	(49,289)	-	-	(49,289)	(28,308)	-	-	(28,308)
Fee and commission expenses	(110,649)	(177,116)	(135,312)	(113,256)	(112,505)	(131,454)	(145,040)	(119,115)
Profit on subordinated obligation	(6,712)	-	-	(6,712)	(6,724)	-	-	(6,724)
Tax borne by participants	-	1,925	(13,798)	(11,873)	-	(6,556)	(16,140)	(22,696)
<b>Other expenses</b>	<b>(303,838)</b>	<b>(175,688)</b>	<b>(161,501)</b>	<b>(331,157)</b>	<b>(279,290)</b>	<b>(138,392)</b>	<b>(178,280)</b>	<b>(325,971)</b>
<b>Operating profit before surplus transfers</b>	<b>57,084</b>	<b>88,780</b>	<b>216,105</b>	<b>96,169</b>	<b>26,796</b>	<b>71,638</b>	<b>100,038</b>	<b>61,982</b>
Surplus transferred to participants' funds	-	(49,695)	(216,105)	-	-	(36,452)	(100,038)	-
Surplus attributable to shareholders	39,085	(39,085)	-	-	35,186	(35,186)	-	-
<b>Profit/surplus before taxation</b>	<b>96,169</b>	<b>-</b>	<b>-</b>	<b>96,169</b>	<b>61,982</b>	<b>-</b>	<b>-</b>	<b>61,982</b>
Taxation	(44,479)	-	-	(44,479)	(28,239)	-	-	(28,239)
Zakat	(3,603)	-	-	(3,603)	(6,308)	-	-	(6,308)
<b>Net profit for the period</b>	<b>48,087</b>	<b>-</b>	<b>-</b>	<b>48,087</b>	<b>27,435</b>	<b>-</b>	<b>-</b>	<b>27,435</b>
<b>Basic earnings per share (sen)</b>	<b>12.02</b>	<b>-</b>	<b>-</b>	<b>12.02</b>	<b>6.86</b>	<b>-</b>	<b>-</b>	<b>6.86</b>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.

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ETIQA TAKAFUL BERHAD  
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UNAUDITED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	6 months period ended 30.06.2016				6 months period ended 30.06.2015			
	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
<b>Net profit for the period</b>	48,087	-	-	48,087	27,435	-	-	27,435
<b>Other comprehensive income:</b>								
<b>Item that may be subsequently reclassified to income statement</b>								
Net gains/(losses) on Available-for-sale ("AFS") financial assets:								
Gains on fair value changes	37,285	35,984	23,987	96,714	24,120	17,665	21,830	62,868
Realised gains transferred to income statement	(5,088)	(8,025)	(23,965)	(37,078)	(8,333)	(5,651)	(33,566)	(47,550)
Tax effects relating to components of other comprehensive income	(8,108)	(7,098)	258	(14,948)	(3,947)	(3,003)	1,291	(5,659)
Other comprehensive (loss)/income attributable to participants	-	(20,861)	(280)	(21,141)	-	(9,011)	10,445	1,434
<b>Other comprehensive income for the period, net of tax</b>	24,089	-	-	23,547	11,840	-	-	11,093
<b>Total comprehensive income for the period</b>	72,176	-	-	71,634	39,275	-	-	38,528

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UNAUDITED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016

	Attributable to Equity Holder of the Company			Total Equity RM'000
	Share Capital RM'000	Non-Distributable Available-for-sale Reserve RM'000	Distributable Retained Profits RM'000	
<b>At 1 January 2016</b>	400,000	(29,676)	1,162,281	1,532,605
Net profit after tax for the period	-	-	48,087	48,087
Other comprehensive income for the period	-	23,547	-	23,547
Total comprehensive income for the period	-	23,547	48,087	71,634
<b>At 30 June 2016</b>	<b>400,000</b>	<b>(6,129)</b>	<b>1,210,368</b>	<b>1,604,239</b>
<b>At 1 January 2015</b>	400,000	(30,854)	1,019,961	1,389,107
Net profit after tax for the period	-	-	27,435	27,435
Other comprehensive income for the period	-	11,093	-	11,093
Total comprehensive income for the period	-	11,093	27,435	38,528
<b>At 30 June 2015</b>	<b>400,000</b>	<b>(19,761)</b>	<b>1,047,396</b>	<b>1,427,635</b>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.

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**ETIQA TAKAFUL BERHAD**  
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**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	<b>6 months period ended 30.06.2016 RM'000</b>	<b>6 months period ended 30.06.2015 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation and zakat	96,169	61,982
Adjustments for:		
Depreciation of property, plant and equipment	220	284
Amortisation of intangible assets	352	1,226
Fair value gains on investments	(105,440)	(47,137)
Realised gains on disposal of investments	(45,439)	(59,693)
Unrealised losses on foreign exchange	-	1
Realised gains on foreign exchange	-	(45)
Write off of takaful receivables	172	-
Allowance for/(reversal of) impairment losses on:		
Investments	10,101	98,207
Takaful receivables	638	2,037
Other receivables	(70)	(512)
Financing receivables	-	(17)
Retakaful assets	61	144
Profit income	(274,849)	(228,687)
Profit on subordinated obligation	6,712	6,724
Gross dividend income	(10,505)	(25,443)
Net amortisation of premiums	10,143	5,665
Increase in net contribution liabilities	568	41,856
Surplus transferred from general takaful fund	49,695	36,452
Surplus transferred from family takaful fund	216,105	100,038
Operating cash flows before working capital changes	<u>(45,367)</u>	<u>(6,918)</u>
Changes in working capital:		
Proceeds from sale of investments	3,787,886	4,347,063
Purchase of investments	(4,196,623)	(4,320,526)
Increase in takaful receivables	(34,710)	(38,386)
(Increase)/decrease in other receivables	(28,209)	272,031
Increase/(decrease) in other payables	192,169	(96,390)
Increase in expense liabilities	49,289	28,308
Increase/(decrease) in takaful payables	15,404	(26,289)
Decrease in financing receivables	4,729	2,243
Increase in placements of		
deposits with financial institutions	(19,269)	(587,291)
Decrease/(increase) in retakaful assets	5,312	(24,199)
Increase in takaful certificate liabilities	201,517	331,824
Operating cash flows after working capital changes	<u>(67,872)</u>	<u>(118,530)</u>

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**ETIQA TAKAFUL BERHAD**  
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**UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS (CONT'D.)**  
**FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

	<b>6 months period ended 30.06.2016 RM'000</b>	<b>6 months period ended 30.06.2015 RM'000</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES (CONT'D.)</b>		
Profit income received	262,593	229,048
Gross dividend income received	11,473	28,346
Zakat paid	(7,594)	(801)
Taxation paid	(56,917)	(48,750)
Mudharabah paid to participants	(37,700)	(32,900)
Net cash flows generated from operating activities	<u>103,983</u>	<u>56,413</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit paid for subordinated obligation	<u>(6,762)</u>	<u>(6,761)</u>
Net cash flows used in financing activities	<u>(6,762)</u>	<u>(6,761)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of intangible assets	(73)	(191)
Purchase of property, plant and equipment	(451)	(102)
Net cash flows used in investing activities	<u>(524)</u>	<u>(293)</u>
<b>Net increase in cash and cash equivalents</b>	96,697	49,359
<b>Cash and cash equivalents at beginning of period</b>	<u>126,541</u>	<u>120,576</u>
<b>Cash and cash equivalents at end of period</b>	<u>223,238</u>	<u>169,935</u>
<b>Cash and cash equivalents comprise:</b>		
Cash and bank balances of:		
Shareholder's fund	20,404	21,700
General takaful fund	114,004	85,233
Family takaful fund	88,830	63,002
	<u>223,238</u>	<u>169,935</u>

These unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached to the unaudited condensed Interim financial statements.



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016**

**1. BASIS OF PREPARATION**

The unaudited condensed interim financial statements of the Company for the period ended 30 June 2016 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134 - *Interim Financial Reporting* as issued by the Malaysian Accounting Standards Board ("MASB") and International Accounting Standard ("IAS") 34 - *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), Guidelines/Circulars issued by Bank Negara Malaysia and Islamic Financial Services Act 2013.

In accordance with the Islamic Financial Services Act 2013, the assets and liabilities of the takaful funds are segregated from those of the takaful operator: a concept known as segregation of funds. However, in compliance with MFRS 10 Consolidated Financial Statements, the assets, liabilities, income and expenses of the takaful funds are consolidated with those of the takaful operator to represent the control possessed by the operator over the respective funds.

The unaudited condensed interim financial statements of the Company have been prepared under the historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

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

The unaudited condensed interim financial statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2015.

The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2015.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONT'D)**

**2. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the unaudited condensed interim financial statements are consistent with those adopted in the audited financial statements for the year ended 31 December 2015 except for the following MFRSs, Amendments to MFRSs and Annual improvements which effective for annual periods beginning on or after 1 January 2016:

- MFRS 10 *Consolidated Financial Statements* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 10)
- MFRS 11 *Joint Arrangements* - Accounting for Acquisitions of Interests in Joint Operations (Amendments to MFRS 11)
- MFRS 12 *Disclosure of Interests in Other Entities* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 12)
- MFRS 14 *Regulatory Deferral Accounts*
- MFRS 101 *Presentation of Financial Statements* - Disclosure Initiative (Amendments to MFRS 101)
- MFRS 116 *Property, Plant and Equipment* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 116)
- MFRS 127 *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments to MFRS 127)
- MFRS 128 *Investment in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 128)
- MFRS 128 *Investments in Associates and Joint Ventures* - Investment Entities: Applying the Consolidation Exception (Amendments to MFRS 128)
- MFRS 138 *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to MFRS 138)
- Annual Improvements to MFRSs 2012 - 2014 Cycle

The Company does not expect that the adoption of the above MFRSs and amendments on the annual improvements will have significant financial implications in the unaudited condensed interim financial statements.

**3. STATUS OF AUDIT QUALIFICATION**

The auditor's report on the audited financial statements of the financial year ended 31 December 2015 did not contain any qualification.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2016 (CONT'D)**

**4. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The operations of the Company was not materially affected by any seasonal or cyclical factors during the interim financial period ended 30 June 2016.

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 interim financial period ended 30 June 2016.

**6. CHANGES IN ESTIMATES**

There were no changes in the basis used for accounting estimates for the current interim financial period.

**7. ISSUES, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuance or repayment of debt and equity securities for the interim financial period ended 30 June 2016.

**8. DIVIDENDS PAID**

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

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

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

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

There were no change in the composition of the Company during the interim financial period.

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**ETIQA TAKAFUL BERHAD**  
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**11. INVESTMENTS**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>30.06.2016</b>				
Malaysian government papers	107,761	378,424	347,120	833,305
Debt securities	1,802,275	865,940	7,132,141	9,800,356
Equity securities	58,406	9,109	632,306	699,821
Unit and property trust funds	4,040	308	41,819	46,167
Investment-linked units	22,658	-	-	-
Structured products	-	-	25,223	25,223
Negotiable Islamic certificates of deposit ("NICD")	-	-	121,526	121,526
Deposits with financial institutions	324,202	323,347	771,952	1,419,501
	<u>2,319,342</u>	<u>1,577,128</u>	<u>9,072,087</u>	<u>12,945,899</u>
<b>31.12.2015</b>				
Malaysian government papers	117,241	518,895	404,672	1,040,808
Debt securities	1,552,619	930,258	5,865,174	8,348,051
Equity securities	108,538	17,921	1,140,946	1,267,405
Unit and property trust funds	3,740	331	61,352	65,423
Investment-linked units	22,116	-	-	-
Structured products	-	19,128	48,311	67,439
Negotiable Islamic certificates of deposit ("NICD")	-	9,848	128,419	138,267
Deposits with financial institutions	232,166	100,194	1,067,874	1,400,234
	<u>2,036,420</u>	<u>1,596,575</u>	<u>8,716,748</u>	<u>12,327,627</u>

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**11. INVESTMENTS (CONT'D)**

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
<b>30.06.2016</b>				
Available-for-sale ("AFS")	1,995,140	1,253,781	2,659,539	5,885,802
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	5,616,439	5,616,439
- Held for trading ("HFT")	-	-	24,157	24,157
Loans and receivables ("LAR")	324,202	323,347	771,952	1,419,501
	<u>2,319,342</u>	<u>1,577,128</u>	<u>9,072,087</u>	<u>12,945,899</u>
<b>31.12.2015</b>				
Available-for-sale ("AFS")	1,804,254	1,498,879	3,015,738	6,296,755
Fair value through profit and loss ("FVTPL"):				
- Designated upon initial recognition	-	-	4,610,079	4,610,079
- Held for trading ("HFT")	-	(2,498)	23,057	20,559
Loans and receivables ("LAR")	232,166	100,194	1,067,874	1,400,234
	<u>2,036,420</u>	<u>1,596,575</u>	<u>8,716,748</u>	<u>12,327,627</u>

The following investments will mature after 12 months:

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
<b>30.06.2016</b>				
AFS	1,910,035	1,228,963	1,982,679	5,121,677
FVTPL				
- Designated upon initial recognition	-	-	5,527,324	5,527,324
- HFT	-	-	15,522	15,522
	<u>1,910,035</u>	<u>1,228,963</u>	<u>7,525,525</u>	<u>10,664,523</u>
<b>31.12.2015</b>				
AFS	1,666,975	1,450,734	1,761,635	4,879,344
FVTPL				
- Designated upon initial recognition	-	-	4,428,747	4,428,747
- HFT	-	-	14,609	14,609
	<u>1,666,975</u>	<u>1,450,734</u>	<u>6,204,991</u>	<u>9,322,700</u>

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**11. INVESTMENTS (CONT'D)**

**(i) AFS**

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
<b>30.06.2016</b>				
<u>At fair value:</u>				
Malaysian government papers	107,761	378,424	116,154	602,339
Unquoted debt securities in Malaysia	1,802,275	865,940	1,859,196	4,527,411
Quoted equity securities in Malaysia	58,406	9,109	623,813	691,328
Quoted unit and property trust funds in Malaysia	4,040	308	41,677	46,025
Investment-linked units	22,658	-	-	-
Structured products	-	-	-	-
NICD	-	-	18,699	18,699
	<u>1,995,140</u>	<u>1,253,781</u>	<u>2,659,539</u>	<u>5,885,802</u>
<b>31.12.2015</b>				
<u>At fair value:</u>				
Malaysian government papers	117,241	518,895	155,779	791,915
Unquoted debt securities in Malaysia	1,552,619	930,258	1,647,865	4,130,742
Quoted equity securities in Malaysia	108,538	17,921	1,132,572	1,259,031
Quoted unit and property trust funds in Malaysia	3,740	331	61,278	65,349
Investment-linked units	22,116	-	-	-
Structured products	-	21,626	-	21,626
NICD	-	9,848	18,244	28,092
	<u>1,804,254</u>	<u>1,498,879</u>	<u>3,015,738</u>	<u>6,296,755</u>

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**11. INVESTMENTS (CONT'D)**

(ii) FVTPL

	Shareholder's fund RM'000	General takaful fund RM'000	Family takaful fund RM'000	Company RM'000
<b>- Designated upon initial recognition</b>				
<b>30.06.2016</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	226,503	226,503
Unquoted debt securities in Malaysia	-	-	5,261,886	5,261,886
Structured products	-	-	25,223	25,223
NICD	-	-	102,827	102,827
	-	-	<u>5,616,439</u>	<u>5,616,439</u>
<b>31.12.2015</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	244,701	244,701
Unquoted debt securities in Malaysia	-	-	4,206,892	4,206,892
Structured products	-	-	48,311	48,311
NICD	-	-	110,175	110,175
	-	-	<u>4,610,079</u>	<u>4,610,079</u>
<b>- HFT</b>				
<b>30.06.2016</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	4,463	4,463
Unquoted debt securities in Malaysia	-	-	11,059	11,059
Quoted equity securities in Malaysia	-	-	8,493	8,493
Quoted unit and property trust funds outside Malaysia	-	-	142	142
	-	-	<u>24,157</u>	<u>24,157</u>

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**11. INVESTMENTS (CONT'D)**

**(ii) FVTPL**

	<b>Shareholder's fund RM'000</b>	<b>General takaful fund RM'000</b>	<b>Family takaful fund RM'000</b>	<b>Company RM'000</b>
<b>- HFT</b>				
<b>31.12.2015</b>				
<u>At fair value:</u>				
Malaysian government papers	-	-	4,192	4,192
Unquoted debt securities in Malaysia	-	-	10,417	10,417
Quoted equity securities in Malaysia	-	-	8,374	8,374
Quoted unit and property trust funds outside Malaysia	-	-	74	74
Structured products	-	(2,498)	-	(2,498)
	-	(2,498)	23,057	20,559

**(iii) LAR**

**30.06.2016**

**Deposits and placements with  
financial institutions**

Islamic investment accounts with:

Licensed financial institutions	185,047	209,369	378,298	772,714
Others	139,155	113,978	393,654	646,787
	<u>324,202</u>	<u>323,347</u>	<u>771,952</u>	<u>1,419,501</u>

**31.12.2015**

**Deposits and placements with  
financial institutions**

Islamic investment accounts with:

Licensed financial institutions	187,022	85,194	797,589	1,069,805
Others	45,144	15,000	270,285	330,429
	<u>232,166</u>	<u>100,194</u>	<u>1,067,874</u>	<u>1,400,234</u>

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

Included in the LAR are assets pledged to obtain an Islamic bank guarantee facilities with Maybank Islamic Berhad which amounted to RM3,000,000 (31.12.2015: RM3,000,000).

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



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**12. RETAKAFUL ASSETS**

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Retakaful operators' share of:		
General takaful certificate liabilities (Note 14)	197,252	203,400
Family takaful certificate liabilities (Note 14)	44,222	36,129
Allowance for impairment losses in relation to general takaful certificate liabilities	(2,601)	(2,540)
	<u>238,873</u>	<u>236,989</u>

**13. PARTICIPANTS' FUND**

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Takaful funds and Company</b>		
General takaful fund (Note (a))	148,364	116,893
Family takaful fund (Note (b))	2,733,348	2,521,759
	<u>2,881,712</u>	<u>2,638,652</u>

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) General takaful fund		
Accumulated surplus (Note (i))	156,612	146,002
AFS reserves (Note (ii))	(8,248)	(29,109)
	<u>148,364</u>	<u>116,893</u>

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Accumulated surplus		
At 1 January 2016/2015	146,002	202,806
Surplus arising during the period/year	49,695	95,380
Hibah paid to participants during the period/year	(39,085)	(152,184)
At 30 June 2016/31 December 2015	<u>156,612</u>	<u>146,002</u>

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**13. PARTICIPANTS' FUND (CONT'D.)**

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) AFS reserves		
At 1 January 2016/2015	(29,109)	(21,106)
Net gain on fair value changes	35,984	(4,875)
Realised gain transferred to income statement	(8,025)	(5,796)
Deferred tax on fair value changes	(7,098)	2,668
At 30 June 2016/31 December 2015	<u>(8,248)</u>	<u>(29,109)</u>
	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(b) Family takaful fund		
Accumulated surplus (Note (i))	2,662,621	2,451,312
Surplus attributable to participants (Note (ii))	49,738	49,738
AFS reserves (Note (iii))	20,989	20,709
	<u>2,733,348</u>	<u>2,521,759</u>
	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(i) Accumulated surplus		
At 1 January 2016/2015	2,451,312	2,270,764
Surplus arising during the period/year	216,105	251,798
Surplus attributable to participants during the period/year	-	(20,034)
Hibah paid to participants during the period/year	(4,796)	(51,216)
At 30 June 2016/31 December 2015	<u>2,662,621</u>	<u>2,451,312</u>
	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(ii) Surplus attributable to participants		
At 1 January 2016/2015	49,738	29,704
Surplus attributable to participants during the period/year	-	20,034
At 30 June 2016/31 December 2015	<u>49,738</u>	<u>49,738</u>

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**13. PARTICIPANTS' FUND (CONT'D.)**

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
(iii) AFS reserves		
At 1 January 2016/2015	20,709	(33,518)
Net gain on fair value changes	23,987	105,453
Realised gain transferred to income statement	(23,965)	(47,084)
Deferred tax on fair value changes	258	(4,142)
At 30 June 2016/31 December 2015	<u>20,989</u>	<u>20,709</u>

**14. TAKAFUL CERTIFICATE LIABILITIES**

	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Takaful funds</b>			
<b>30.06.2016</b>			
General takaful fund (Note (a))	1,551,428	(197,252)	1,354,176
Family takaful fund (Note (b))	<u>6,298,900</u>	<u>(44,222)</u>	<u>6,254,678</u>
	7,850,328	(241,474)	7,608,854
Less: Seed money elimination	<u>(21,000)</u>	-	<u>(21,000)</u>
	<u>7,829,328</u>	<u>(241,474)</u>	<u>7,587,854</u>
<b>31.12.2015</b>			
General takaful fund (Note (a))	1,505,903	(203,400)	1,302,503
Family takaful fund (Note (b))	<u>6,135,081</u>	<u>(36,129)</u>	<u>6,098,952</u>
	7,640,984	(239,529)	7,401,455
Less: Seed money elimination	<u>(21,000)</u>	-	<u>(21,000)</u>
	<u>7,619,984</u>	<u>(239,529)</u>	<u>7,380,455</u>
 (a) General takaful fund			
	<b>Gross</b>	<b>Retakaful</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30.06.2016</b>			
Claims liabilities (Note (i))	963,636	(172,175)	791,461
Contribution liabilities (Note (ii))	<u>587,792</u>	<u>(25,077)</u>	<u>562,715</u>
	<u>1,551,428</u>	<u>(197,252)</u>	<u>1,354,176</u>
<b>31.12.2015</b>			
Claims liabilities (Note (i))	925,935	(185,579)	740,356
Contribution liabilities (Note (ii))	<u>579,968</u>	<u>(17,821)</u>	<u>562,147</u>
	<u>1,505,903</u>	<u>(203,400)</u>	<u>1,302,503</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

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

(i) Claims liabilities

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>30.06.2016</b>			
At 1 January 2016	925,935	(185,579)	740,356
Claims incurred in the current accident period	345,517	(13,843)	331,674
Movement in claims incurred in prior accident period	(17,103)	9,582	(7,521)
Claims paid during the period	(297,786)	14,465	(283,321)
Movements in PRAD	7,073	3,200	10,273
At 30 June 2016	<u>963,636</u>	<u>(172,175)</u>	<u>791,461</u>
<b>31.12.2015</b>			
At 1 January 2015	811,854	(225,947)	585,907
Claims incurred in the current accident year	653,152	(30,068)	623,084
Movement in claims incurred in prior accident years	30,703	(30,996)	(293)
Claims paid during the year	(587,445)	93,867	(493,578)
Movements in PRAD	17,671	7,565	25,236
At 31 December 2015	<u>925,935</u>	<u>(185,579)</u>	<u>740,356</u>

(ii) Contribution liabilities

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>30.06.2016</b>			
At 1 January 2016	579,968	(17,821)	562,147
Contributions written during the period	600,112	(49,827)	550,285
Contributions earned during the period	(592,288)	42,571	(549,717)
At 30 June 2016	<u>587,792</u>	<u>(25,077)</u>	<u>562,715</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

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

(ii) Contribution liabilities (cont'd)

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>31.12.2015</b>			
At 1 January 2015	583,866	(31,494)	552,372
Contributions written during the year	1,108,653	(83,362)	1,025,291
Contributions earned during the year	(1,112,551)	97,035	(1,015,516)
At 31 December 2015	<u>579,968</u>	<u>(17,821)</u>	<u>562,147</u>

(b) Family takaful fund

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

	<b>Gross RM'000</b>	<b>Retakaful RM'000</b>	<b>Net RM'000</b>
<b>30.06.2016</b>			
Claims liabilities (Note (ii))	129,741	(10,090)	119,651
Actuarial liabilities (Note (ii))	6,140,646	(34,132)	6,106,514
NAV attributable to unitholders (Note (ii))	28,513	-	28,513
	<u>6,298,900</u>	<u>(44,222)</u>	<u>6,254,678</u>
<b>31.12.2015</b>			
Claims liabilities (Note (ii))	121,506	(9,888)	111,618
Actuarial liabilities (Note (ii))	5,987,224	(26,241)	5,960,983
NAV attributable to unitholders (Note (ii))	26,351	-	26,351
	<u>6,135,081</u>	<u>(36,129)</u>	<u>6,098,952</u>

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**14. TAKAFUL CERTIFICATE LIABILITIES (CONT'D.)**

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

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

	<b>Claims Liabilities RM'000</b>	<b>Actuarial Liabilities RM'000</b>	<b>NAV Attributable to Unitholders RM'000</b>	<b>Gross Liabilities RM'000</b>	<b>Retakaful Assets RM'000</b>	<b>Net Liabilities RM'000</b>
<b>30.06.2016</b>						
At 1 January 2016	121,506	5,987,224	26,351	6,135,081	(36,129)	6,098,952
Net earned contribution	-	-	5,149	5,149	(26,255)	(21,106)
Other revenue	-	-	654	654	-	654
Experience/benefit variation	4,315	-	-	4,315	15,783	20,098
Claims intimated during the period	396,495	(396,495)	-	-	(202)	(202)
Claims paid during the period	(392,575)	-	(3,427)	(396,002)	10,472	(385,530)
Other expenses	-	-	(169)	(169)	-	(169)
Taxation	-	-	(45)	(45)	-	(45)
Increase in certificate reserves	-	549,917	-	549,917	(7,891)	542,026
At 30 June 2016	<u>129,741</u>	<u>6,140,646</u>	<u>28,513</u>	<u>6,298,900</u>	<u>(44,222)</u>	<u>6,254,678</u>
<b>31.12.2015</b>						
At 1 January 2015	83,802	5,788,823	22,296	5,894,921	(14,798)	5,880,123
Net earned contribution	-	-	6,712	6,712	(34,888)	(28,176)
Other revenue	-	-	1,476	1,476	-	1,476
Experience/benefit variation	131	-	-	131	1,860	1,991
Claims intimated during the year	713,630	(713,630)	-	-	(4,857)	(4,857)
Claims paid during the year	(676,057)	-	(3,747)	(679,804)	33,028	(646,776)
Other expenses	-	-	(285)	(285)	-	(285)
Taxation	-	-	(101)	(101)	-	(101)
Increase in certificate reserves	-	912,031	-	912,031	(16,474)	895,557
At 31 December 2015	<u>121,506</u>	<u>5,987,224</u>	<u>26,351</u>	<u>6,135,081</u>	<u>(36,129)</u>	<u>6,098,952</u>

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**15. OPERATING LEASE COMMITMENTS**

As at the reporting date, the Company and takaful funds lease office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for leases with initial or remaining terms of one year or more are as follows:

	<b>30.06.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Within 1 year	10,892	11,115
After 1 year but not more than 5 years	39,616	38,791
	<u>50,508</u>	<u>49,906</u>

**16. REGULATORY CAPITAL REQUIREMENT**

The capital structure of the Company as at 30 June 2016, as prescribed under the RBCT Framework, is provided below:

<b>Company</b>	<b>30.6.2016</b>	<b>31.12.2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Eligible Tier 1 Capital</b>		
Paid up share capital	400,000	400,000
Valuation surplus in takaful funds	2,855,920	2,633,951
Retained earnings	1,210,368	1,162,281
	<u>4,466,288</u>	<u>4,196,232</u>
<b>Tier 2 Capital</b>		
Available-for-sale reserves	8,270	(36,047)
Subordinated obligation	300,000	300,000
	<u>308,270</u>	<u>263,953</u>
Amount deducted from capital	<u>(48,274)</u>	<u>(68,938)</u>
Total Capital Available	<u>4,726,284</u>	<u>4,391,247</u>

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### (a) Fair value hierarchy

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

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

- Level 1 : Active Market – quoted price

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

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

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

Examples of level 3 instruments include corporate bonds in illiquid markets, private equity investments and investment properties.



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

**(a) Fair value hierarchy**

**Shareholder's Fund**

	Valuation techniques using:		Total RM'000
	Level 1 Quoted market prices RM'000	Level 2 Observable inputs RM'000	
<b>30.06.2016</b>			
<u>Assets</u>			
<b>AFS financial investments</b>			
Malaysian government papers	-	107,761	107,761
Unquoted debt securities in Malaysia	-	1,802,275	1,802,275
Quoted equity securities in Malaysia	58,406	-	58,406
Quoted unit and property trust funds in Malaysia	4,040	-	4,040
Investment-linked units	22,658	-	22,658
Total assets	<u>85,104</u>	<u>1,910,036</u>	<u>1,995,140</u>
<u>Liability</u>			
Subordinated obligation	-	302,202	302,202
Total liability	<u>-</u>	<u>302,202</u>	<u>302,202</u>
<b>31.12.2015</b>			
<u>Assets</u>			
<b>AFS financial investments</b>			
Malaysian government papers	-	117,241	117,241
Unquoted debt securities in Malaysia	-	1,552,619	1,552,619
Quoted equity securities in Malaysia	108,538	-	108,538
Quoted unit and property trust funds in Malaysia	3,740	-	3,740
Investment-linked units	22,116	-	22,116
Total assets	<u>134,394</u>	<u>1,669,860</u>	<u>1,804,254</u>
<u>Liability</u>			
Subordinated obligation	-	299,604	299,604
Total liability	<u>-</u>	<u>299,604</u>	<u>299,604</u>

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

**(a) Fair value 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	Level 3 Non Observable inputs RM'000	
<b>30.06.2016</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	378,424	-	378,424
Unquoted debt securities in Malaysia	-	861,722	4,218	865,940
Quoted equity securities in Malaysia	9,109	-	-	9,109
Quoted unit and property trust funds in Malaysia	308	-	-	308
<b>Total assets</b>	<b>9,417</b>	<b>1,240,146</b>	<b>4,218</b>	<b>1,253,781</b>
<b>31.12.2015</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	518,895	-	518,895
Unquoted debt securities in Malaysia	-	925,935	4,323	930,258
Quoted equity securities in Malaysia	17,921	-	-	17,921
Quoted unit and property trust funds in Malaysia	331	-	-	331
Structured products	-	19,128	-	19,128
NICD	-	9,848	-	9,848
<b>Total assets</b>	<b>18,252</b>	<b>1,473,806</b>	<b>4,323</b>	<b>1,496,381</b>

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

**(a) Fair value 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 Non Observable inputs RM'000	
<b>30.06.2016</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	116,154	-	116,154
Unquoted debt securities in Malaysia	-	1,827,915	31,281	1,859,196
Quoted equity securities in Malaysia	623,813	-	-	623,813
Quoted unit and property trust funds in Malaysia	41,677	-	-	41,677
NICD	-	18,699	-	18,699
<b>Financial investments at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	226,503	-	226,503
Unquoted debt securities in Malaysia	-	5,243,288	18,598	5,261,886
Structured products	-	25,223	-	25,223
NICD	-	102,827	-	102,827
<b>- HFT</b>				
Malaysian government papers	-	4,463	-	4,463
Unquoted debt securities in Malaysia	-	11,059	-	11,059
Quoted equity securities in Malaysia		8,493	-	8,493
Quoted unit and property trust funds outside Malaysia	-	142	-	142
	<u>665,490</u>	<u>7,584,766</u>	<u>49,879</u>	<u>8,300,135</u>

**ETIQA TAKAFUL BERHAD**  
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**17. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONT'D.)**

**(a) Fair value 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 Non Observable inputs RM'000	
<b>31.12.2015</b>				
<u>Assets</u>				
<b>AFS financial investments</b>				
Malaysian government papers	-	155,779	-	155,779
Unquoted debt securities in Malaysia	-	1,615,801	32,064	1,647,865
Quoted equity securities in Malaysia	1,132,572	-	-	1,132,572
Quoted unit and property trust funds in Malaysia	61,278	-	-	61,278
NICD	-	18,244	-	18,244
<b>Financial investments at FVTPL</b>				
<b>- Designated upon initial recognition</b>				
Malaysian government papers	-	244,701	-	244,701
Unquoted debt securities in Malaysia	-	4,187,829	19,063	4,206,892
Structured products	-	48,311	-	48,311
NICD	-	110,175	-	110,175
<b>- HFT</b>				
Malaysian government papers	-	4,192	-	4,192
Unquoted debt securities in Malaysia	-	10,417	-	10,417
Quoted equity securities in Malaysia	8,374	-	-	8,374
Quoted unit and property trust funds outside Malaysia	74	-	-	74
	<u>1,202,298</u>	<u>6,395,449</u>	<u>51,127</u>	<u>7,648,874</u>

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

**(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 determine whether transfers have occurred between fair value hierarchy levels by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1 and Level 2 for the Company during the financial period ended 30 June 2016.

**(c) Reconciliation of level 3 fair value hierarchy**

	<u>General Takaful Fund</u>	<u>Family Takaful Fund</u>	
	<u>Financial instruments</u>	<u>Financial instruments</u>	
	<u>measured at fair value</u>	<u>measured at fair value</u>	
	AFS	AFS	Designated
	RM'000	RM'000	at FVTPL
			RM'000
As at 1 January 2016	4,323	32,064	19,063
Recognised in income statement:			
Realised gain	12	90	54
Fair value gain/(loss)	-	-	(182)
Recognised in other comprehensive income			
as fair value loss:	(41)	(307)	-
Disposals	(76)	(566)	(337)
As at 30 June 2016	<u>4,218</u>	<u>31,281</u>	<u>18,598</u>
Total gains or losses recognised in			
income statement for financial instruments			
measured at fair value at the end of the	<u>12</u>	<u>90</u>	<u>(128)</u>
reporting period			
Total gains or losses recognised in other			
comprehensive income for financial instruments			
measured at fair value at the end of the	<u>(41)</u>	<u>(307)</u>	<u>-</u>
reporting period			

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

**(c) Reconciliation of level 3 fair value hierarchy (cont'd)**

	<u>General Takaful Fund</u>	<u>Family Takaful Fund</u>	
	<u>Financial instruments measured at fair value</u>	<u>Financial instruments measured at fair value</u>	
	AFS RM'000	AFS RM'000	Designated at FVTPL RM'000
As at 1 January 2015	-	-	-
Recognised in income statement:			
Realised loss	(13)	(94)	(56)
Fair value gain/(loss)	-	-	590
Recognised in other comprehensive income as fair value gain:	134	993	-
Disposals	(65)	(480)	(286)
Transfer into Level 3 from Level 2	4,267	31,645	18,815
As at 31 December 2015	<u>4,323</u>	<u>32,064</u>	<u>19,063</u>
Total gains or losses recognised in income statement for financial instruments measured at fair value at the end of the reporting period	<u>(13)</u>	<u>(94)</u>	<u>534</u>
Total gains or losses recognised in other comprehensive income for financial instruments measured at fair value at the end of the reporting period	<u>134</u>	<u>993</u>	<u>-</u>

During the financial year 31 December 2015, the Company transferred certain financial investments from Level 2 into Level 3 of the fair value hierarchy as these assets were valued using valuation models incorporating significant unobservable inputs.