

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1 Basis of Preparation**

The unaudited condensed consolidated interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 Interim Financial Reporting issued by International Accounting Standards Board, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”), and Guidelines / Circulars issued by Bank Negara Malaysia (“BNM”) and Shariah rulings and precepts.

The unaudited condensed consolidated interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 September 2023. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

In preparing the Group-level consolidated financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the Takaful funds. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The Takaful fund are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group's and the Company's license to manage Takaful business is withdrawn or surrendered.

The explanatory notes attached to the 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 Group since the year ended 31 December 2022.

The accounting policies and presentation adopted by the Group for the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

#### MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101, MFRS Practise Statement 2;
- Amendments to MFRS 101, "Classification of Liabilities as Current or Non-current";
- Amendments to MFRS 108 on disclosure of accounting policies and definition of accounting estimates;
- Amendments to MFRS 112 on "Deferred Tax related to Assets and Liabilities arising from a Single Transaction";
- MFRS 17, "Insurance Contracts" and its amendments; and
- Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information

The initial application of the abovementioned standards, amendments and interpretations do not have any material impacts to the current and prior period's financial statements upon their first adoption, except or MFRS 17 "Insurance Contracts" and its amendments as mentioned below.

MFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance/takaful contracts and supersedes MFRS 4 'Insurance Contracts'. It applies to insurance/takaful contracts issued, to all reinsurance/takaful contracts and to investment contracts with discretionary participating features if an entity also issues insurance/takaful contracts.

The standard requires to separate the following components from takaful contracts: (i) embedded derivatives, if they meet certain specified criteria, (ii) distinct investment components, and (iii) distinct performance obligations to provide non-takaful goods and services. These components should be accounted for separately in accordance with the related standards.

Under MFRS 17, there are different measurement approaches to be applied for the takaful contracts, reflecting a different extent of policyholder participation in investment or insurance/takaful entity performance:

- 1) General model, also known as the building block approach (BBA) for non-participating or indirect participating;
- 2) Variable fee approach (VFA) for direct participating; and
- 3) Premium\* allocation approach (PAA), a simplified approach which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one obtained applying the general model.

\* Premium refers to contribution in Takaful terms.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

The General model is a default model as required by MFRS 17 and is based on the following components:

- 1) the fulfilment cash flows (FCF), which represent the:
  - probability-weighted estimates of future cash flows;
  - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows;
  - an explicit risk adjustment for non-financial risk; and
- 2) the contractual service margin (CSM).

With regards to discounting, the Group applied a bottom-up discount rate (i.e. risk-free yield curve plus illiquidity premium). MFRS 17 requires using a market consistent yield curve factoring the illiquidity embedded in insurance / takaful liabilities. The methodology consists of using a Basic Risk-Free Rate (RFR), based on government bonds and adding on an illiquidity premium (IP) allowance to reflect the remuneration of illiquidity observed.

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion.

MFRS 17 does not prescribe a specific approach for determining the risk adjustment. The Group set the methodology of deriving risk adjustment to be based on the Provision of Risk Margin for Adverse Deviation (PRAD) approach, a regulatory reserving approach based on a confidence interval of 75%.

- Stress factors to determine risk charge as stated in the Risk Based Capital for Takaful (RBCT) Framework have been used as a reference to determine the PRAD factors to be applied on best estimate assumptions.

CSM is also a major change in MFRS 17 compared to MFRS 4. It represents the unearned profit from in-force contracts, presented as a liability separately from the FCF in the consolidated statement of financial position and will be recognised in the consolidated statement of income over the coverage period of the contracts, as the entity provides services to the policyholders. The CSM cannot be negative at inception, any net negative amount of the fulfilment cash flows at inception will be recorded as a day one loss in the consolidated statement of income immediately.

At the end of a reporting period, the carrying amount of a group of insurance/takaful contracts is remeasured to be the sum of the liability for remaining coverage ("LFRC") and the liability of incurred claims ("LFIC"). The liability for remaining coverage comprises the FCF related to future services and the CSM, while the liability for incurred claims consists of the FCF related to past services allocated to the affected group.

The Group applied the BBA for its Credit products, annuity business and individual businesses that do not have direct participation features, general takaful contracts which have coverage period of more than 1 year (for eg: long-term house owner and engineering contracts), and retakaful contracts held with coverage period or contract boundary of more than one year or do not pass the PAA eligibility test.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

For contracts measured under the BBA model, the CSM gets adjusted for changes in cash flows related to future services due to experience adjustments and changes in assumptions. The profit rate accretion on CSM is based on the locked-in discount rate at initial recognition of a contract that is applicable to nominal cash flows that do not vary based on the returns on any underlying items. An amount of the CSM for a group of contract is recognised in profit or loss in each period to reflect the services provided by the group of contract in that period. The amount is determined by identifying the coverage units in the group. MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Group has determined its sum covered for the Takaful components to be computed based on the coverage units by benefit types.

Besides the BBA model, the Group applied the VFA for its investment-linked contracts, annuity business and individual businesses that have direct participation features and meet the criteria below:

- 1) The contractual terms specify that the certificate holders participate in a share of a clearly identified pool of underlying items;
- 2) The Company expects to pay the certificate holders an amount equal to a substantial share of the fair value returns of the underlying items; and
- 3) The Company expects a substantial proportion of any change in the amounts to be paid to the certificate holders to vary with the change in the fair value of the underlying items.

The assessment of whether the contract meets these criteria is made at inception of the contract and not revised subsequently, except in case of substantial modification of the contract.

The CSM for contracts measured under the VFA is adjusted to reflect the entities share in the change in the fair value of underlying items. No explicit profit accretion is required since the CSM is effectively remeasured when it is adjusted for changes in financial risks. For the VFA contracts, a change in the fair value of the asset's portfolio constitutes a change in the fair value of investment return of the Participant Individual Account ("PIA") / Participant's Unit Account ("PUA") and Participants Risk Fund ("PRF"). For these contracts, the change in FCF for LFRC due to change in the market variable, discount rate or financial risks including the change in Time Value of Financial Options and Guarantee (TVOG) should unlock CSM.

In addition to the 2 models, PAA is permitted for the measurement of the LFRC if it provides a measurement which is not materially different from the BBA model or if the coverage period of each contract in the group is one year or less. Under the PAA, the LFRC is measured as the amount of contribution received at initial recognition less acquisition costs and amounts already recognised as takaful revenue at the closing date. The measurement of the LFIC is identical under all 3 measurement models, apart from the determination of locked-in interest rates used for discounting. For the PAA, changes compared to MFRS 4 are expected to be limited and mainly linked to the discount of all reserves, a more granular onerous contract testing and the inclusion of a risk adjustment for non-financial risk.

The Group applied the PAA for individual yearly renewable products such as the general takaful contracts which have coverage period of 1 year or less and group yearly renewable products such as Group Term Medical and Health products.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **1 Basis of Preparation (continued)**

The surplus transferable from the family fund to participants and takaful operator is based on the surplus determined by an annual actuarial valuation of the long term liabilities to participants. Surplus distribution is determined at the fund level through the process of mutualisation which is in line with the actual surplus distribution by takaful operators. The Group applies surplus mutualisation in determining the level of aggregation, which is guided by the terms of the takaful contracts to ensure that it reflects the nature and terms of the takaful contracts. This is in-line with Takaful concept of mutual guarantee whereby the participants mutually agree to contribute to a pool of Risk Fund and with the aim to provide mutual financial aid and assistance to the participants in case of need. Any deficit arises in a single contract is mutualised among the product grouping.

Any deficit in the participants' risk fund within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the takaful operator fund to the participants' risk fund. In the participants' risk fund, the Qard is included in fulfillment cash flows used to measure the takaful liabilities under MFRS 17.

Qard is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Family Takaful Fund's obligation to repay the nominal amount of Qard, nor does it affect or change any rights or obligations of the takaful operator fund.

The Qard shall be repaid from future surpluses of the participants' risk fund.

The Group has finalised the quantitative impact of the application of MFRS 17. The final impact will also depend on the application of the transition approaches. MFRS 17 has to be applied retrospectively unless it is impracticable. If a full retrospective application (FRA) is impracticable, an entity can choose between a modified retrospective approach (MRA) or a fair value approach (FVA). The objective of the MRA is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to FRA. For FVA, the CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 and the FCF (any negative difference would be recognised in retained earnings at the transition date).

The Group's implementation project progressed throughout 2022, focusing on developing and integrating the operational capabilities necessary for implementing MFRS 17. This involved working on data, systems, and business processes, as well as determining the transition balance sheet as of 1 January 2022.

The actual impact of adopting MFRS 17 on 1 January 2023, with a transition date of 1 January 2022, may change as the Group continues to embed and refine the new systems, processes, and controls required, including the audit validations.

This impact assessment is based on an interim control environment and models that are still undergoing validation. The implementation of the end state control environment will continue as the Group introduces business-as-usual controls throughout 2023.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

The following table summarises the impact of transition of MFRS 17 on the Group consolidated balance sheet at 1 January 2022.

	MFRS 4 1 January 2022	Remapping / Removal of MFRS 4	Remeasurement effect of MFRS 17			MFRS 17 1 January 2022
			Transition CSM	Fulfilment Cash Flows	Tax effect	
<u>Family Takaful</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Takaful contract assets	-	138,909	-	76,855	-	215,764
Retakaful contract assets	446,539	(244,110)	-	(57,328)	-	145,101
Other assets	7,985,714	(188,037)	-	(2,970)	-	7,794,707
<b>Total assets</b>	<b>8,432,253</b>	<b>(293,238)</b>	<b>-</b>	<b>16,557</b>	<b>-</b>	<b>8,155,572</b>
<b>Liability and Equity</b>						
Takaful contract liabilities	8,234,197	(184,711)	-	23,339	-	8,072,825
Other liabilities	198,056	(108,527)	-	(6,782)	-	82,747
<b>Total liabilities</b>	<b>8,432,253</b>	<b>(293,238)</b>	<b>-</b>	<b>16,557</b>	<b>-</b>	<b>8,155,572</b>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

	MFRS 4 1 January 2022	Remapping / Removal of MFRS 4	Remeasurement effect of MFRS 17			MFRS 17 1 January 2022
			Transition CSM	Fulfilment Cash Flows	Tax effect	
<u>General Takaful</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>						
Retakaful contract assets	709,473	(485,869)	-	295,844	-	519,448
Other assets	1,193,411	(140,855)	-	-	-	1,052,556
<b>Total assets</b>	<b>1,902,884</b>	<b>(626,724)</b>	<b>-</b>	<b>295,844</b>	<b>-</b>	<b>1,572,004</b>
<b>Liability and Equity</b>						
Takaful contract liabilities	1,594,267	(351,482)	-	278,592	-	1,521,377
Retakaful contract liabilities	-	-	-	17,252	-	17,252
Other liabilities	308,617	(275,242)	-	-	-	33,375
<b>Total liabilities</b>	<b>1,902,884</b>	<b>(626,724)</b>	<b>-</b>	<b>295,844</b>	<b>-</b>	<b>1,572,004</b>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

Group	MFRS 4 1 January 2022 RM'000	Remapping / Removal of MFRS 4 RM'000	Remeasurement effect of MFRS 17			MFRS 17 1 January 2022 RM'000
			Transition CSM RM'000	Fulfilment Cash Flows RM'000	Tax effect RM'000	
<b>Assets</b>						
Takaful contract assets	-	138,909	(2,506)	85,161	-	221,564
Retakaful contract assets	1,156,011	(729,977)	5,155	237,144	-	668,333
Other assets	11,552,823	(467,535)	-	(4,561)	169,118	11,249,845
<b>Total assets</b>	<b>12,708,834</b>	<b>(1,058,603)</b>	<b>2,649</b>	<b>317,744</b>	<b>169,118</b>	<b>12,139,742</b>
<b>Liability and Equity</b>						
Takaful contract liabilities	9,786,326	(678,704)	1,037,611	325,455	-	10,470,688
Retakaful contract liabilities	-	-	-	17,252	-	17,252
Other liabilities	1,080,125	(379,899)	-	(355,263)	-	344,963
<b>Total liabilities</b>	<b>10,866,451</b>	<b>(1,058,603)</b>	<b>1,037,611</b>	<b>(12,556)</b>	<b>-</b>	<b>10,832,903</b>
<b>Equity</b>						
Share capital	230,547	-	-	-	-	230,547
Reserves	1,578,043	-	(1,034,962)	330,300	169,118	1,042,499
<b>Total equity attributable to Owners of the Company</b>	<b>1,808,590</b>	<b>-</b>	<b>(1,034,962)</b>	<b>330,300</b>	<b>169,118</b>	<b>1,273,046</b>
Non-controlling interests	33,793	-	-	-	-	33,793
<b>Total equity</b>	<b>1,842,383</b>	<b>-</b>	<b>(1,034,962)</b>	<b>330,300</b>	<b>169,118</b>	<b>1,306,839</b>
<b>Total liabilities and equity</b>	<b>12,708,834</b>	<b>(1,058,603)</b>	<b>2,649</b>	<b>317,744</b>	<b>169,118</b>	<b>12,139,742</b>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

The following table shows the nature and amount of the measurement adjustments made to the opening balance sheet:

	Description
Remapping/ Removal of MFRS 4	The items include: <ul style="list-style-type: none"><li>• 'Intangible assets' is no longer reported following the transition to MFRS 17, as the future profits are deferred as unearned revenue within the CSM.</li><li>• Takaful receivables, takaful payables, retakaful contract assets, takaful contract liabilities and other payables were removed on transition and to be replaced within MFRS 17 equivalents.</li></ul>
Transition CSM	CSM is a component of the takaful liability and represents the future unearned profit associated with takaful contracts which will be released to the Profit or Loss over the takaful coverage period.
Fulfilment Cash Flows	The measurement of the takaful contract assets/liabilities under MFRS 17 is based on groups of takaful contracts and includes a liability for fulfilling the contractual obligations associated with the takaful contract, such as contributions, expenses, and takaful benefits and claims. These are recorded within the fulfilment cash flows component of the takaful contract liabilities, together with the risk adjustment.
Tax effect	New deferred tax were reported, where appropriate, on temporary differences between the new MFRS 17 accounting balances and associated tax bases.

### 2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2022 did not contain any qualification.

The audited financial statements of the preceding year have not applied MFRS 17.

### 3 Seasonality of Operations

The Group's operations are not materially affected by seasonal or cyclical factors for the period under review.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 30 September 2023.

### 5 Estimates

There were no material changes in the basis used for accounting estimates for the current quarter under review.

### 6 Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

### 7 Dividends

The Company on 12 December 2022 declared an interim single tier dividend of 13.50 sen per ordinary share in respect of the financial year ended 31 December 2022 which was paid on 16 January 2023.

No dividend was declared for the current quarter under review.

### 8 Segmental Reporting

#### Business Segments:

	Family RM'000	General RM'000	Group RM'000
<b>9 months ended 30 September 2023</b>			
Takaful revenue	<u>1,124,875</u>	<u>932,398</u>	<u>1,952,512</u>
Profit before zakat and tax	<u>-</u>	<u>-</u>	<u>392,308</u>
<b>9 months ended 30 September 2022</b>			
Takaful revenue	<u>940,220</u>	<u>740,838</u>	<u>1,615,741</u>
Profit before zakat and tax	<u>-</u>	<u>-</u>	<u>329,522</u>

### 9 Investment Properties

The valuation of investment properties has been brought forward without amendment from the annual audited financial statements for the year ended 31 December 2022.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 10 Material Events Subsequent to the End of the Period

There was no material event subsequent to the end of the year under review that has not been reported in the condensed consolidated financial statements for the current financial quarter.

### 11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the audited financial statement as at and for the year ended 31 December 2022.

### 12 Effect of Changes in Composition of the Company / Group

There was no change in the composition of the Group for the current financial quarter under review.

### 13 Contingent Liabilities

There were no contingent liabilities as at the date of this announcement.

### 14 Review of Performance

	9 months ended			3 months ended		
	30.9.2023	30.9.2022	Changes	30.9.2023	30.9.2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Takaful revenue	1,952,512	1,615,741	21%	639,501	501,730	27%
Takaful service expenses	(1,643,897)	(1,481,124)	11%	(523,344)	(575,893)	-9%
Profit before zakat and tax	392,308	329,522	19%	130,886	118,716	10%

#### 14.1 Financial results of the current year-to-date against preceding year-to-date

##### Group Takaful revenue

The Group recorded takaful revenue of RM1,952.5 million for the 3Q 2023, was higher by RM336.8 million (21%) as compared to RM1,615.7 million in the same period last year. The increase was mainly attributable to:

- Higher contribution income by RM225.7 million, mainly from General Takaful;
- Higher amount charged for takaful coverage for both Family Takaful and General Takaful, by RM114.0 million; and
- Higher release of contractual service margin ("CSM") by RM118.0 million.

##### Group Takaful service expense

The Group recorded takaful service expense of RM1,643.9 million for the 3Q 2023, was higher by RM162.8 million (11%) as compared to RM1,481.1 million in the same period last year. The increase was mainly attributable to higher claims incurred by both Family Takaful and General Takaful of RM178.9 million and higher amortisation of acquisition cash flows for wakalah fees of RM21.0 million.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **14 Review of Performance (continued)**

#### **14.1 Financial results of the current year-to-date against preceding year-to-date (continued)**

##### **Group Profit before zakat and tax**

For the third quarter ended 30 September 2023, the Group recorded profit before tax and zakat of RM392.3 million, higher by 19% as compared to the same period last year of RM329.5 million. This was mainly attributable to:

i) Higher net investment income by RM140.6 million mainly attributable to higher profit from fixed income investment assets and lower fair value losses;

It was partially offset by

ii) Lower takaful service results by RM18.7 million, mainly attributable to net expense from retakaful contract.

iii) Higher takaful finance expenses from takaful contracts issued by RM55.9 million.

##### **Family Takaful**

###### **(i) Takaful revenue**

Family Takaful generated takaful revenue of RM1,124.9 million for the third quarter ended 30 September 2023, increased by 20% as compared to RM940.2 million in the same period last year, mainly attributable to higher takaful revenue earned for takaful services provided.

###### **(ii) Takaful service expense**

For the third quarter ended 30 September 2023, the takaful service expenses for Family Fund increased to RM1,304.0 million from RM1,048.6 million in the same period last year. This is mainly attributable to higher claims incurred and higher amortisation of acquisition cash flows for wakalah fees.

###### **(iii) Net investment income**

The investment income for the third quarter ended 30 September 2023 was RM273.5 million, increased by RM110.0 million, mainly due to higher profit income from fixed income investments and lower net fair value losses on financial assets.

###### **(iv) Net Takaful Financial Results**

The Group recorded net negative takaful financial results of RM87.7 million for the third quarter of FY2023, higher by RM31.9 million as compared to same period last year of RM55.8 million. The higher net negative takaful financial results were mainly attributable to higher takaful finance expenses from takaful contracts issued.

##### **General Takaful**

###### **(i) Takaful Revenue**

General takaful recorded Takaful revenue of RM932.4 million for the third quarter of FY2023, 26% higher as compared to same period last year of RM740.8 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **14 Review of Performance (continued)**

#### **14.1 Financial results of the current year-to-date against preceding year-to-date (continued)**

##### **General Takaful (continued)**

##### **(ii) Net Income from Retakaful Contracts Held**

General Takaful recorded net expense from retakaful contracts held of RM150.9 million for the third quarter of FY2023, RM197.1 million higher as compared to same period last year of RM46.2 million net income. The higher of net expense from retakaful contracts held was mainly attributable to net higher retakaful contribution.

##### **(iii) Net Investment Income**

The net investment income for the third quarter of FY2023 was RM38.3 million, higher by RM12.7 million as compared to the same period of the preceding year of RM25.6 million, mainly due to higher profit income from fixed income investments.

#### **14.2 Financial results of the current quarter against preceding year corresponding quarter**

##### **Group Takaful revenue**

The Group recorded takaful revenue of RM639.5 million for the 3Q 2023, was higher by RM137.8 million or 27% as compared to RM501.7 million in the same period last year. The increase was mainly attributable to higher takaful revenue earned for takaful services provided for both Family Takaful and General Takaful.

increase was mainly attributable to:

- i) Higher contribution income by RM67.8 million, mainly from General Takaful;
- ii) Higher amount charged for takaful coverage for both Family Takaful and General Takaful, by RM69.7 million; and
- iii) Higher release of contractual service margin ("CSM") by RM110.3 million.

##### **Group Takaful service expense**

The Group recorded takaful service expense of RM523.3 million for the 3Q 2023, was lower by RM52.5 million (9%) as compared to RM575.9 million in the same period last year. The improvement was mainly attributable to decrease in claims incurred by both Family Takaful and General Takaful of RM37.4 million and lower amortisation of acquisition cash flows for wakalah fees of RM44.8 million.

##### **Family Takaful**

##### **(i) Takaful revenue**

Family Takaful generated takaful revenue of RM523.5 million for the third quarter ended 30 September 2023, increased by 17% as compared to RM448.5 million in the same period last year, mainly attributable to higher takaful revenue earned for takaful services provided.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **14 Review of Performance (continued)**

#### **14.2 Financial results of the current quarter against preceding year corresponding quarter (continued)**

##### **Family Takaful (continued)**

##### **(ii) Takaful service expense**

For the third quarter ended 30 September 2023, the takaful service expenses for Family Fund increased to RM593.7 million from RM508.7 million in the same period last year. This is mainly attributable to higher claims incurred.

##### **(iii) Net investment income**

The investment income for the third quarter ended 30 September 2023 was RM97.6 million, increased by RM13.9 million, mainly due to higher profit income from fixed income investments and lower net fair value losses on financial assets.

##### **(iv) Net Takaful Financial Results**

The Group recorded a negative net takaful financial results of RM34.2 million for the third quarter of FY2023, lower by RM9.8 million as compared to same period last year of RM24.4 million. The lower net takaful financial results was mainly attributable to higher takaful finance expenses incurred from takaful contracts issued, due to change in carrying amount of takaful contracts.

##### **General Takaful**

##### **(i) Takaful Revenue**

General takaful recorded Takaful revenue of RM332.7 million for the third quarter of FY2023, 27% higher as compared to same period last year of RM262.3 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

##### **(ii) Takaful Service Expense**

General Takaful recorded Takaful service expense of RM265.3 million for the third quarter of FY2023, 29% lower as compared to same period last year of RM373.2 million. The lower takaful service expense was mainly attributable to lower claims incurred from fire and motor class of businesses.

##### **(iii) Net (expense)/ income from Retakaful Contracts Held**

General Takaful recorded net expense from retakaful contracts held of RM75.0 million for the third quarter of FY2023, RM180.6 million higher as compared to same period last year of RM105.6 million net income. The higher of net expense from retakaful contracts held was mainly attributable to higher retakaful contribution and lower recoverables from takaful operators.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **14 Review of Performance (continued)**

#### **14.2 Financial results of the current quarter against preceding year corresponding quarter (continued)**

##### **General Takaful (continued)**

##### **(iv) Net Investment Income**

The net investment income for the third quarter of FY2023 was RM12.7 million, higher by RM3.3 million as compared to the same period of the preceding year of RM9.4 million, mainly due to higher profit income from fixed income investments.

#### **14.3 Review of Statements of Financial Position**

As at 30 September 2023, total assets of RM14,166.2 million, increased by 7% as compared to RM13,295.8 million as at 31 December 2022, mainly attributable to higher other investments, loan and receivables and partially offset by lower cash and cash equivalents.

Other investments increased by 6% from RM8,622.0 million as at 31 December 2022 to RM9,099.5 million as at 30 September 2023, mainly attributable to the increase in Islamic debts securities and Malaysian Government Islamic Papers. The increase was mainly attributable to new purchases of sukuk.

Cash and cash equivalents decreased from RM2,067.3 million to RM887.1 million whilst loans and receivables increased from RM607.7 million to RM2,023.7 million as at 30 September 2023 mainly due to increase in placement in fixed and call deposits at licensed institutions with maturity more than 3 months arising from business growth.

Total liabilities increased to RM12,418.8 million as at 30 September 2023 as compared to RM11,852.3 million as at 31 December 2022, which was mainly attributable to higher takaful contract liabilities.

Shareholders' equity increased by 25% to RM1,747.4 million as at 30 September 2023. This is mainly attributed to the net profit generated during the financial period of RM267.0 million.

#### **14.4 Review of Statements of Cash Flows**

For the third quarter ended 30 September 2023, the Group's cash flow position decreased to RM887.1 million as compared to the position as at 31 December 2022 of RM2,067.3 million, mainly attributable to utilisation of cash towards placement of money market instruments with maturity profile above 3 months during the quarter. The Group's cash flow position remain healthy and able to meet its obligation.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30.09.2023	Immediate Preceding Quarter 30.06.2023	Changes
	RM'000	RM'000	%
Takaful revenue	639,501	677,693	- 6%
Takaful service expense	(523,344)	(516,545)	1%
Profit before zakat and tax	130,886	131,799	- 1%

#### Group Takaful revenue

For the current quarter under review, the Group recorded takaful revenue of RM639.5 million, lower by RM 38.2 million (6%) as compared to RM677.7 million in the immediate preceding quarter. The decrease was mainly attributable to lower recovery of takaful acquisition cash flows – wakalah fees of RM19.0 million and lower release of contractual service margin (“CSM”) by RM3.1 million .

#### Group Takaful service expense

For the current quarter under review, the Group recorded takaful service expense of RM523.3 million, lower by RM6.8 million (1%) as compared to RM516.5 million in the immediate preceding quarter. The increase was mainly attributable to release in liabilities for incurred claims and lower amortisation of acquisition cash flows – wakalah fees.

#### Group Profit before zakat and tax

For the current quarter under review, the Group recorded profit before tax and zakat of RM130.9 million, lower by 1% as compared to the immediate preceding quarter of RM131.8 million. This was mainly attributable to:

- i) Higher takaful finance expenses from takaful contracts issued by RM10.9 million, due to higher charge to carrying amount of takaful contracts.
- ii) Higher investment income by RM11.3 million mainly attributable to higher profit from fixed income investment assets and lower fair value loss on investment assets.

#### Family Takaful

##### (i) Takaful revenue

For the current quarter under review, Family Takaful generated takaful revenue of RM523.5 million, increased by 66% as compared to RM314.9 million in the immediate preceding quarter. This is mainly attributable to higher takaful revenue earned for takaful services provided.

##### (ii) Takaful service expense

For the current quarter under review, the takaful service expenses for Family Takaful increased to RM593.7 million from RM366.7 million in the immediate preceding quarter. This is mainly attributable to higher claims incurred.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 15 Financial review for current quarter compared with immediate preceding quarter (continued)

#### Family Takaful (continued)

##### (iii) Net investment income

For the current quarter under review, the investment income was RM97.6 million, increased by RM92.0 million, mainly due to higher profit income from fixed income investments and lower net fair value losses on financial assets.

##### (iv) Net Takaful Financial Results

For the current quarter under review, Family Takaful recorded a negative net takaful financial results of RM34.2 million, higher by RM6.0 million as compared to the immediate preceding quarter of RM28.2 million. The higher net negative takaful financial results were mainly attributable to higher charge from increased carrying amount of takaful contracts.

#### General Takaful

##### (i) Takaful Revenue

For the current quarter under review, General takaful recorded Takaful revenue of RM332.7 million, 8% higher as compared to the immediate preceding quarter of RM308.3 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

##### (ii) Takaful Service Expense

For the current quarter under review, General Takaful recorded Takaful service expense of RM265.2 million, 22% lower as compared to the immediate preceding quarter of RM217.2 million. The lower takaful service expense was mainly attributable to:

- Lower claims incurred from fire and motor class of businesses.
- Release in liabilities for incurred claims compared with an increase in liabilities during preceding quarter.

##### (iii) Net Income/ (expense) from Retakaful Contracts Held

For the current quarter under review, General Takaful recorded net expense from retakaful contracts held of RM75.0 million, lower by RM23.8 million as compared to the immediate preceding quarter net income of RM98.8 million. During the quarter, there was lower amount recoverable from retakaful for claims incurred compared to the preceding quarter.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **16 Current Year Prospects**

Growth prospects in the Malaysian economy are expected to be moderate with domestic growth expected in 2023 to expand by between 4% and 5% in 2023 (based on Economic and Monetary Review 2022 issued by Bank Negara Malaysia, as re-affirmed in July 2023). Growth rates in 2024 is expected to be within similar range, as announced by the Prime Minister during Budget 2024. In the near term, the Group will continue to prudently manage costs, whilst seeking opportunities for business growth, with our strong capital and liquidity positions providing support for these strategies.

We continue to grow our established core businesses in Bancatakaful, Treasury, Employee Benefits and General Takaful, and the Group has built strong foothold in these key markets and thus sustaining our leadership in the takaful industry. . In 2023, we have further advanced our bancatakaful market leadership. We secured a new 5-year bancatakaful partnership with Bank Muamalat, and renewed our partnership arrangements with Affin Islamic Bank and Bank Rakyat for another 5 years. Our market leadership has also been supported by continued solid financial fundamentals and operational resilience, enabling us to produce good business performance in recent years. The Group will continue to leverage on our market leadership in these core segments to support our growth strategies and further expand our market share.

As part of our strategic focus to diversify our business portfolio into retail markets, Takaful Malaysia has planned to build a multi-distribution platform, from which we would provide Malaysians with greater access to more affordable regular contribution protection products. We have produce good initial results in the retail segment with encouraging new business growth in regular contribution products through our branches and existing bank partners, in addition to digital online platform. We have rolled out more products, and achieved greater growth momentum in our regular contribution business since the beginning of 2023.

Sustainability is an essential component of our business strategies and operations, and the Group continues to grow its business in a sustainable and environmentally friendly manner. It is also the Group's commitment to the Takaful industry's initiative on Value-based Intermediation ("VBI") to unlock the potential of the takaful industry towards a Sustainable Finance Ecosystem and spur creativity and encourage innovation to deliver positive and meaningful impacts. Accordingly, we have adopted an integrated and inter-disciplinary approach to managing sustainability, focusing on 4 key areas namely (Products & Services, Business Process & Culture, Investment, Social and Community), to generate sustainable impacts on the economy, community and environment.

### **17 Variance of Actual Profit from Profit Forecast or Profit Guarantee**

The Group did not issue any profit forecast nor profit guarantee during the current quarter under review.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 18 Taxation

	3 months ended		Cumulative 9 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000
Current tax expense:				
- Current financial period	41,146	47,662	117,195	119,280
- Under provision in prior year	(2,240)	1,431	(809)	1,431
Deferred tax expense:				
- Current financial period	(4,285)	(7,581)	(11,494)	(11,715)
Total tax expense	<u>34,623</u>	<u>41,512</u>	<u>104,892</u>	<u>108,996</u>

18.1 The effective tax rate is higher than the statutory tax rate for the current financial period due to higher non-deductible expenses.

18.2 The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The last court mention which was fixed on 13<sup>th</sup> September 2023 was postponed to a later date. The next court mention is fixed on 11<sup>th</sup> December 2023.

### 19 Status of Corporate Proposal

There has been no new corporate proposal since the date of the last quarterly report.

### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 September 2023.

### 21 Material Litigation

There was no material litigation pending as at the date of this announcement.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 22 Earnings per Share

#### Basic earnings per share (“Basic EPS”)

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the quarter / period by the weighted average number of ordinary shares in issue during the period.

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Owners of the Company (RM'000)	91,101	72,945	276,596	215,737
Weighted average number of ordinary shares in issue ('000)	837,306	836,824	837,306	836,279
<b>Basic EPS</b> (sen)	10.88	8.72	33.03	25.80

#### Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Owners of the Company (RM'000)	91,101	72,945	276,596	215,737
Weighted average number of ordinary shares in issue ('000)	837,306	836,824	837,306	836,279
Effects of dilution ('000)	-	1,046	-	1,046
Diluted weighted average number of ordinary shares in issue ('000)	837,306	837,870	837,306	837,325
<b>Diluted EPS</b> (sen)	10.88	8.71	33.03	25.77

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 23 Takaful contract assets / liabilities and Retakaful contract assets / liabilities

	Assets		Liabilities		Total assets RM'000	Total liabilities RM'000
	Remaining coverage RM'000	Incurred claims RM'000	Remaining coverage RM'000	Incurred claims RM'000		
<b>30 September 2023</b>						
<b>Family Takaful</b>						
Takaful contract	65,209	215,470	202,484	8,847,818	280,679	9,050,302
Retakaful contract	55,028	221,615	127,309	-	276,643	127,309
	<u>120,237</u>	<u>437,085</u>	<u>329,793</u>	<u>8,847,818</u>	<u>557,322</u>	<u>9,177,611</u>
<b>General Takaful</b>						
Takaful contract	4,076	9,500	359,603	1,559,400	13,576	1,919,003
Retakaful contract	229,782	600,687	2,929	123,227	830,469	126,156
	<u>233,858</u>	<u>610,187</u>	<u>362,532</u>	<u>1,682,627</u>	<u>844,045</u>	<u>2,045,159</u>
<b>Group</b>						
Takaful contract	136,591	224,970	1,375,998	10,385,180	361,561	11,761,178
Retakaful contract	293,782	822,302	131,125	123,227	1,116,084	254,352
	<u>430,373</u>	<u>1,047,272</u>	<u>1,507,123</u>	<u>10,508,407</u>	<u>1,477,645</u>	<u>12,015,530</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**23 Takaful contract assets / liabilities and retakaful contract assets / liabilities (continued)**

	Assets		Liabilites		Total assets RM'000	Total liabilities RM'000
	Remaining coverage RM'000	Incurred claims RM'000	Remaining coverage RM'000	Incurred claims RM'000		
<b>31 December 2022</b>						
<b>Family Takaful</b>						
Takaful contract	116,216	137,418	455,882	7,970,208	253,634	8,426,090
Retakaful contract	44,218	170,446	77,123	-	214,664	77,123
	<u>160,434</u>	<u>307,864</u>	<u>533,005</u>	<u>7,970,208</u>	<u>468,298</u>	<u>8,503,213</u>
<b>General Takaful</b>						
Takaful contract	3,841	3,237	258,645	1,551,549	7,078	1,810,194
Retakaful contract	190,723	639,983	2,907	129,197	830,706	132,104
	<u>194,564</u>	<u>643,220</u>	<u>261,552</u>	<u>1,680,746</u>	<u>837,784</u>	<u>1,942,298</u>
<b>Group</b>						
Takaful contract	186,178	140,655	1,766,069	9,508,898	326,833	11,274,967
Retakaful contract	237,015	810,429	80,927	129,197	1,047,444	210,124
	<u>423,193</u>	<u>951,084</u>	<u>1,846,996</u>	<u>9,638,095</u>	<u>1,374,277</u>	<u>11,485,091</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 23 Takaful contract assets / liabilities and retakaful contract assets / liabilities (continued)

##### 23.1 Movements in takaful contract balances

	Family Takaful		General Takaful		Group	
	30.9.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>
Takaful contract liabilities as at 1 January	8,426,090	8,072,825	1,810,194	1,521,377	11,274,967	10,470,688
Takaful contract assets as at 1 January	(253,634)	(215,764)	(7,078)	-	(326,833)	(221,564)
<b>Net takaful contract liabilities as at 1 January</b>	<b>8,172,456</b>	<b>7,857,061</b>	<b>1,803,116</b>	<b>1,521,377</b>	<b>10,948,134</b>	<b>10,249,124</b>
Takaful revenue	(1,124,875)	(1,374,400)	(932,398)	(1,017,894)	(1,952,512)	(2,570,917)
Takaful service expense	1,304,021	1,547,914	805,003	1,058,865	1,643,897	2,365,122
<b>Takaful service result</b>	<b>179,146</b>	<b>173,514</b>	<b>(127,395)</b>	<b>40,971</b>	<b>(308,615)</b>	<b>(205,795)</b>
Takaful finance expenses	88,208	94,924	40,031	35,022	159,224	176,008
Effect of movements in exchange rates	32,645	(11,632)	-	-	33,913	(12,189)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>299,999</b>	<b>256,806</b>	<b>(87,364)</b>	<b>75,993</b>	<b>(115,478)</b>	<b>(41,976)</b>
Cash flows						
Contributions received	1,735,497	2,190,465	1,031,838	1,082,956	2,768,627	3,274,945
Claims and other expenses paid including investment components	(583,289)	(692,857)	(439,360)	(523,829)	(1,118,702)	(1,338,263)
Deem settlement transfer	(644,550)	(808,654)	(384,567)	(403,947)	14,093	26,935
Takaful acquisition cash flows	-	-	-	-	(694,472)	(627,969)
Total cash flows	507,658	688,954	207,911	155,180	969,546	1,335,648
Other movements	(210,490)	(630,365)	(18,236)	50,566	(402,585)	(594,662)
<b>Net takaful contract liabilities as at 30 September / 31 December</b>	<b>8,769,623</b>	<b>8,172,456</b>	<b>1,905,427</b>	<b>1,803,116</b>	<b>11,399,617</b>	<b>10,948,134</b>
Takaful contract liabilities as at 30 September / 31 December	9,050,302	8,426,090	1,919,003	1,810,194	11,761,178	11,274,967
Takaful contract assets as at 30 September / 31 December	(280,679)	(253,634)	(13,576)	(7,078)	(361,561)	(326,833)
<b>Net takaful contract liabilities as at 30 September / 31 December</b>	<b>8,769,623</b>	<b>8,172,456</b>	<b>1,905,427</b>	<b>1,803,116</b>	<b>11,399,617</b>	<b>10,948,134</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 23 Takaful contract assets / liabilities and retakaful contract assets / liabilities (continued)

##### 23.2 Movements in retakaful contract balances

	Family Takaful		General Takaful		Group	
	30.9.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>
Retakaful contract assets as at 1 January	214,664	145,101	830,706	519,448	1,047,444	668,333
Retakaful contract liabilities as at 1 January	(77,123)	-	(132,104)	(17,252)	(210,124)	(17,252)
<b>Net retakaful contract assets as at 1 January</b>	<b>137,541</b>	<b>145,101</b>	<b>698,602</b>	<b>502,196</b>	<b>837,320</b>	<b>651,081</b>
Allocation of retakaful contributions	(141,422)	(170,487)	(340,105)	(288,643)	(485,745)	(477,616)
Amounts recoverable from retakaful operators	135,261	170,141	189,189	306,927	322,622	474,181
Retakaful investment components	-	-	-	9,540	-	-
Net (expenses)/income from retakaful operators	(6,161)	(346)	(150,916)	27,824	(163,123)	(3,435)
Effect of changes in non-performance risk of retakaful operators	1,592	355	(611)	(1,080)	981	(725)
Retakaful finance income	-	-	24,847	21,763	24,931	21,953
Effect of movements in exchange rates	4,342	(2,031)	-	-	4,278	(2,001)
<b>Total changes in the statement of profit or loss and OCI</b>	<b>(227)</b>	<b>(2,022)</b>	<b>(126,680)</b>	<b>48,507</b>	<b>(132,933)</b>	<b>15,792</b>
Cash flows						
Retakaful contributions paid	98,733	162,544	404,523	625,426	514,363	803,631
Amounts received	(108,878)	(164,345)	(231,310)	(526,496)	(340,189)	(690,841)
Total cash flows	(10,145)	(1,801)	173,213	98,930	174,174	112,790
Other movements	22,165	(3,737)	(40,822)	48,969	(16,829)	57,657
<b>Net retakaful contract assets as at 30 September / 31 December</b>	<b>149,334</b>	<b>137,541</b>	<b>704,313</b>	<b>698,602</b>	<b>861,732</b>	<b>837,320</b>
Retakaful contract assets as at 30 September / 31 December	276,643	214,664	830,469	830,706	1,116,084	1,047,444
Retakaful contract liabilities as at 30 September / 31 December	(127,309)	(77,123)	(126,156)	(132,104)	(254,352)	(210,124)
<b>Net retakaful contract assets as at 30 September / 31 December</b>	<b>149,334</b>	<b>137,541</b>	<b>704,313</b>	<b>698,602</b>	<b>861,732</b>	<b>837,320</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 24 Takaful revenue

The table below presents an analysis of the total takaful revenue recognised in the period:

	Family Takaful 3 months ended		General Takaful 3 months ended		Group 3 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	30.9.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	30.9.2022 RM'000 <i>Restated</i>
<b>Amounts relating to the changes in the liability for remaining coverage</b>						
Expected claims and takaful service expenses incurred in the period	214,295	138,873	11,187	8,596	216,832	175,346
Change in the risk adjustment for non-financial risk Amount of Contractual Service Margin ("CSM") recognised in the profit or loss	-	-	-	-	51,830	71,179
Other amounts including experience adjustments for income related items	7,602	21,923	798	(173)	10,738	434
Others	2	(106)	(33)	89	(26)	(10)
<b>Amounts relating to recovery of takaful acquisition cash flows</b>	<b>218,926</b>	<b>234,640</b>	<b>2,566</b>	<b>2,518</b>	<b>24,198</b>	<b>(4,057)</b>
<b>Takaful revenue - contracts not measured under PAA</b>	<b>440,825</b>	<b>395,330</b>	<b>14,518</b>	<b>11,030</b>	<b>360,161</b>	<b>189,198</b>
<b>Takaful revenue - contracts measured under PAA</b>	<b>82,689</b>	<b>53,163</b>	<b>318,202</b>	<b>251,280</b>	<b>279,340</b>	<b>312,532</b>
<b>Total takaful revenue</b>	<b>523,514</b>	<b>448,493</b>	<b>332,720</b>	<b>262,310</b>	<b>639,501</b>	<b>501,730</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 24 Takaful revenue (continued)

The table below presents an analysis of the total takaful revenue recognised in the period (continued):

	Family Takaful		General Takaful		Group	
	9 months ended		9 months ended		9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>
<b>Amounts relating to the changes in the liability for remaining coverage</b>						
Expected claims and takaful service expenses incurred in the period	566,864	444,171	25,222	26,709	574,994	516,278
Change in the risk adjustment for non-financial risk Amount of Contractual Service Margin ("CSM") recognised in the profit or loss	-	-	-	-	73,833	88,537
Other amounts including experience adjustments for income related items	7,047	36,577	718	(449)	12,666	6,847
Others	-	(119)	101	(46)	118	(147)
<b>Amounts relating to recovery of takaful acquisition cash flows</b>	<b>301,957</b>	<b>254,840</b>	<b>7,776</b>	<b>7,580</b>	<b>90,551</b>	<b>33,513</b>
<b>Takaful revenue - contracts not measured under PAA</b>	<b>875,868</b>	<b>735,469</b>	<b>33,817</b>	<b>33,794</b>	<b>925,634</b>	<b>700,550</b>
<b>Takaful revenue - contracts measured under PAA</b>	<b>249,007</b>	<b>204,751</b>	<b>898,581</b>	<b>707,044</b>	<b>1,026,878</b>	<b>915,191</b>
<b>Total takaful revenue</b>	<b>1,124,875</b>	<b>940,220</b>	<b>932,398</b>	<b>740,838</b>	<b>1,952,512</b>	<b>1,615,741</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 25 Takaful service expenses

The table below presents an analysis of the total takaful service expenses recognised in the period:

	Family Takaful 3 months ended		General Takaful 3 months ended		Group 3 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	30.9.2022 RM'000 <i>Restated</i>	30.9.2023 RM'000	30.9.2022 RM'000 <i>Restated</i>
Incurring claims and other takaful service expenses	367,711	324,849	144,357	309,586	530,528	(1,120,794)
Amortisation of acquisition cash flows - wakalah fees	245,256	264,466	121,067	98,314	11,800	56,561
Losses on onerous contracts and reversal of losses on onerous contracts	-	-	-	-	407	(29,220)
Changes to liabilities for incurred claims	(19,258)	(80,653)	(133)	(34,701)	(19,391)	1,669,346
<b>Total takaful service expenses</b>	<u>593,709</u>	<u>508,662</u>	<u>265,291</u>	<u>373,199</u>	<u>523,344</u>	<u>575,893</u>
<b>Represented by:</b>						
Contracts not measured under PAA	486,440	433,525	15,905	11,917	319,268	185,274
Contracts measured under PAA	<u>107,269</u>	<u>75,137</u>	<u>249,386</u>	<u>361,282</u>	<u>204,076</u>	<u>390,619</u>
	<u>593,709</u>	<u>508,662</u>	<u>265,291</u>	<u>373,199</u>	<u>523,344</u>	<u>575,893</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 25 Takaful service expenses (continued)

The table below presents an analysis of the total takaful service expenses recognised in the period (continued):

	Family Takaful		General Takaful		Group	
	9 months ended		9 months ended		9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
		<i>Restated</i>		<i>Restated</i>		<i>Restated</i>
Incurring claims and other takaful service expenses	968,658	860,374	425,000	544,049	1,449,475	1,487,473
Amortisation of acquisition cash flows - wakalah fees	378,952	350,503	338,452	277,048	191,857	170,888
Losses on onerous contracts and reversal of losses on onerous contracts	-	-	-	-	4,603	3,688
Changes to liabilities for incurred claims	<u>(43,589)</u>	<u>(162,273)</u>	<u>41,551</u>	<u>(18,652)</u>	<u>(2,038)</u>	<u>(180,925)</u>
<b>Total takaful service expenses</b>	<u>1,304,021</u>	<u>1,048,604</u>	<u>805,003</u>	<u>802,445</u>	<u>1,643,897</u>	<u>1,481,124</u>
<b>Represented by:</b>						
Contracts not measured under PAA	1,030,793	793,497	37,444	35,877	847,445	578,016
Contracts measured under PAA	<u>273,228</u>	<u>255,107</u>	<u>767,559</u>	<u>766,568</u>	<u>796,452</u>	<u>903,108</u>
	<u>1,304,021</u>	<u>1,048,604</u>	<u>805,003</u>	<u>802,445</u>	<u>1,643,897</u>	<u>1,481,124</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 26 Investment Income

The investment income consists of the following:

	Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>						
Profit income	87,707	76,159	12,921	9,551	124,231	105,927
Amortisation	(3,017)	(1,944)	(165)	(262)	(4,927)	(2,658)
	<u>84,690</u>	<u>74,215</u>	<u>12,756</u>	<u>9,289</u>	<u>119,304</u>	<u>103,269</u>
<u>Investment income - others</u>						
Rental income	1,707	989	43	(23)	1,943	1,181
Dividend income	2,428	2,469	-	-	2,495	2,566
Profit income	3,333	3,556	-	-	4,490	4,614
Accretion	3	2	-	-	3	2
Investment expenses	(11)	(9)	(75)	(72)	(86)	(81)
	<u>7,460</u>	<u>7,007</u>	<u>(32)</u>	<u>(95)</u>	<u>8,845</u>	<u>8,282</u>
	<u>92,150</u>	<u>81,222</u>	<u>12,724</u>	<u>9,194</u>	<u>128,149</u>	<u>111,551</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 26 Investment Income (continued)

The investment income consists of the following (continued):

	Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>						
Profit income	254,331	213,816	37,746	26,015	360,340	295,057
Amortisation	(6,592)	(5,699)	(483)	(734)	(9,698)	(7,775)
	<u>247,739</u>	<u>208,117</u>	<u>37,263</u>	<u>25,281</u>	<u>350,642</u>	<u>287,282</u>
<u>Investment income - others</u>						
Rental income	4,785	3,764	142	80	5,501	4,480
Dividend income	6,058	6,218	-	-	6,229	6,431
Profit income	10,597	10,484	-	-	14,019	13,393
Accretion	3	2	-	-	3	2
Investment expenses	(363)	(417)	(97)	(100)	(460)	(517)
	<u>21,080</u>	<u>20,051</u>	<u>45</u>	<u>(20)</u>	<u>25,292</u>	<u>23,789</u>
	<u>268,819</u>	<u>228,168</u>	<u>37,308</u>	<u>25,261</u>	<u>375,934</u>	<u>311,071</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### 27 Realised gains and losses

The realised gains and losses consist of the following:

	Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000
<u>Realised gains and losses arising from:</u>						
FVOCI financial assets:						
- Islamic debt securities (Unquoted in Malaysia)	631	7,159	1	634	7,434	9,423
- Islamic debt securities (Unquoted outside Malaysia)	(39)	(93)	-	-	(36)	(87)
	<u>592</u>	<u>7,066</u>	<u>1</u>	<u>634</u>	<u>7,398</u>	<u>9,336</u>
	Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000	30.9.2023 RM'000	30.9.2022 RM'000
<u>Realised gains and losses arising from:</u>						
FVOCI financial assets:						
- Islamic debt securities (Unquoted in Malaysia)	10,098	11,839	1,059	1,190	22,186	15,553
- Islamic debt securities (Unquoted outside Malaysia)	(39)	(93)	-	-	(36)	(87)
	<u>10,059</u>	<u>11,746</u>	<u>1,059</u>	<u>1,190</u>	<u>22,150</u>	<u>15,446</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 28 Fair Value Information

The table below analyses financial instruments carried at fair value by their valuation method.

30 September 2023	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Family Takaful</b>					
<b>Financial assets</b>					
Equity securities	251,550	75,076	-	326,626	326,626
Unit trusts	90,189	29,075	-	119,264	119,264
Institutional Trust Account	-	-	398,131	398,131	398,131
Islamic debt securities	154,639	5,426,151	-	5,580,790	5,580,790
Malaysian Government Islamic papers	-	558,210	-	558,210	558,210
	496,378	6,088,512	398,131	6,983,021	6,983,021
<b>General Takaful</b>					
Institutional Trust Account	-	-	57,424	57,424	57,424
Islamic debt securities	-	598,149	-	598,149	598,149
Malaysian Government Islamic papers	-	75,307	-	75,307	75,307
	-	673,456	57,424	730,880	730,880
<b>Group</b>					
<b>Financial assets</b>					
Equity securities	257,747	107,252	380	365,379	365,379
Unit trusts	90,826	36,202	-	127,028	127,028
Institutional Trust Account	-	-	532,410	532,410	532,410
Islamic debt securities	194,717	7,153,687	-	7,348,404	7,348,404
Malaysian Government Islamic papers	-	726,236	-	726,236	726,236
	543,290	8,023,377	532,790	9,099,457	9,099,457

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 28 Fair Value Information (continued)

The table below analyses financial instruments carried at fair value by their valuation method (continued).

31 December 2022	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
<b>Family Takaful</b>					
<b>Financial assets</b>					
Equity securities	247,331	118,224	-	365,555	365,555
Unit trusts	95,592	28,647	-	124,239	124,239
Institutional Trust Account	-	-	382,872	382,872	382,872
Islamic debt securities	142,059	5,013,662	-	5,155,721	5,155,721
Malaysian Government Islamic papers	-	465,128	-	465,128	465,128
	484,982	5,625,661	382,872	6,493,515	6,493,515
<b>General Takaful</b>					
Institutional Trust Account	-	-	54,958	54,958	54,958
Islamic debt securities	-	544,236	-	544,236	544,236
Malaysian Government Islamic papers	-	74,683	-	74,683	74,683
	-	618,919	54,958	673,877	673,877
<b>Group</b>					
<b>Financial assets</b>					
Equity securities	255,128	150,012	-	405,140	405,140
Unit trusts	96,217	35,430	-	131,647	131,647
Institutional Trust Account	-	-	511,757	511,757	511,757
Islamic debt securities	179,515	6,752,811	-	6,932,326	6,932,326
Malaysian Government Islamic papers	-	641,111	-	641,111	641,111
	530,860	7,579,364	511,757	8,621,981	8,621,981

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### **29 Fair Value Information (continued)**

The carrying amounts of cash and cash equivalents, and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

#### **Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### **Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### **Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

#### **Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

#### **Transfer between Level 1 and 2 fair values**

There is no transfer between Level 1 and 2 fair values during the period.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 29 Fair Value Information (continued)

#### Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Family Takaful RM'000	General Takaful RM'000	Group RM'000
<b>Institutional Trust Account</b>			
As at 1 January 2022	471,247	59,550	617,774
Maturity	(105,471)	(6,669)	(128,620)
Dividend capitalised	920	-	2,127
Investment income – realised	16,970	2,172	21,573
Net change in fair value	(794)	(95)	(1,097)
As at 31 December 2022 / 1 January 2023	382,872	54,958	511,757
Maturity			
Dividend capitalised	13,375	1,642	17,720
Investment income – realised	1,884	824	2,933
As at 30 September 2023	398,131	57,424	532,410

### 30 Additional Information

#### Takaful receivables (included within Takaful Contract Liabilities/Assets)

The age analysis of Takaful receivables as at the end of the reporting period based on days past-due was as follows:

	Family Takaful		General Takaful		Group	
	30.9.2023 RM'000	31.12.2022 RM'000	30.9.2023 RM'000	31.12.2022 RM'000	30.9.2023 RM'000	31.12.2022 RM'000
<u>Days past due</u>						
Current (not past due)	220,342	192,019	98,264	247,764	318,606	439,783
1-30 days	830	2,644	723	433	1,553	3,077
31-60 days	305	290	33	198	338	488
61-90 days	531	428	577	208	1,108	636
91-180 days	17,113	1,593	453	618	17,566	2,211
> 180 days	198	182	3,187	1,922	3,385	2,104
	239,319	197,156	103,237	251,143	342,556	448,299

The average credit terms of Takaful receivables granted to related parties and non-related parties are 12 months from the contractual due date. The recoverability of Takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

There is no significant Takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 30 Additional Information (continued)

#### **Material Impairment of Assets**

##### Measurement of Expected Credit Loss (“ECL”)

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired.

The key inputs into the measurement of ECL are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

PD represents the likelihood of a counterparty defaulting on its financial obligation, either over the next 12 months, or over the remaining lifetime of the obligation. To determine 12-month PDs, the Group and Company use the PD table supplied by reputable rating agency based on the default history of obligors with the same credit rating. The Group and the Company adopt the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the amount or the percentage of an outstanding claim on the counterparty that is not likely to be recovered in the event of a default. LGD varies by type of counterparty, type and seniority of claim and available of collateral or other credit support.

##### Measurement of ECL (continued)

EAD is the Group’s and the Company gross credit exposure to the counterparty at the time of default.

Forward-looking information is considered in determining the PD, EAD and LGD.

For ECL modelled on a collective basis, a grouping of exposures is performing on the basis of shared risks characteristics, such as risk exposure within a group are homogeneous. The characteristics and any data used to determine the groupings includes instrument type; credit rating band; type and seniority of claim; and class of business.

The appropriateness of groupings is monitored and reviewed on a periodic basis by credit control team.

The Group and the Company has elected to measure the impairment losses for Takaful receivables at an amount equal to lifetime ECL. The Group and the Company use an allowance matrix to measure ECLs of Takaful receivables. Loss rates are calculated using a “roll rate” method based on the probability of receivable. The loss rates are based on actual credit loss experience over the past three years.

The impairment losses recognised in profit or loss is not significant to the Group.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 31 Foreign exchange exposure / hedging policy

Foreign exchange exposure is only in relation to investment in the Indonesian subsidiary, which is immaterial. Therefore, hedging policy is not applicable to the Group and the Company.

### 32 Derivatives

The Group and Company did not enter into any derivatives for the financial year ended 30 September 2023.

### 33 Gains/losses arising from fair value change of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the financial period ended 30 September 2023.

### 34 Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful (RBCT) Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum supervisory capital adequacy ratio of 130%. As at financial period ended 30 September 2023, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

	<b>As at 30.9.2023 RM'000</b>	<b>As at 31.12.2022 RM'000</b>
Tier 1 capital	2,680,730	2,476,578
Tier 2 capital	25,811	(36,923)
Deductions	(622,823)	(322,607)
<b>Total capital available</b>	<b>2,083,718</b>	<b>2,117,048</b>

By Order of the Board

**SUHLA AL ASRI**  
**Company Secretary**  
**SSM Practicing Certificate No. 201908002158**  
**MAICSA 7025570**

Kuala Lumpur, 23 November 2023