

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 30 JUNE 2017**

1 Basis of Preparation

The unaudited 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 financial statements have been prepared using historical cost basis except for certain financial assets and financial liabilities that are stated at fair value.

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 June 2017. 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 Takaful Operator, 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 Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. 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.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2016. 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 2016.

2 Auditors’ Report

The auditors’ report on the audited financial statements of the preceding year ended 31 December 2016 did not contain any qualification.

3 Seasonality of Operations

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

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 30 June 2017.

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5 Estimates

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

6 Debt and Equity Securities

On 3 April 2017, the Company allotted and issued 2,201,815 new ordinary shares of RM0.20 each pursuant to the Long-Term Incentive Plan ("LTIP").

Other than the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review.

7 Dividends

The Directors on 20 December 2016 declared an interim single tier dividend of 12.00 sen per ordinary share of RM0.20 each in respect of the financial year ended 31 December 2016 and the dividend was paid on 20 January 2017.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
6 months ended 30 June 2017			
Revenue from external participants	1,067,451	77,728	1,145,179
Profit before zakat and taxation	131,743	(125)	131,618
As at 30 June 2017			
Segment assets by location of assets	7,393,398	575,138	7,968,536
3 months ended 30 June 2016			
Revenue from external participants	1,009,545	85,916	1,095,461
Profit before zakat and taxation	115,506	778	116,284
As at 30 June 2016			
Segment assets by location of assets	7,075,155	539,396	7,614,551

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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 2016.

10 Material Events Subsequent to the End of the Period

There is no material event subsequent to the end of the period under review that has not been reported in the interim 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 financial statement as at and for the year ended 31 December 2016.

12 Effect of Changes in Composition of the Company / Group

There is 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

For the 2nd quarter ended 30 June 2017, the Group generated Operating Revenue of RM485.3 million as compared to RM462.2 million in the corresponding quarter of the preceding year. The half year Operating Revenue increased by 4.5% to RM1,145.2 million from RM1,095.5 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM317.9 million, increased by 2.3%, as compared to RM310.9 million in the same period last year. For the 6 months period, Family Takaful generated gross earned contributions of RM645.0 million as compared to RM599.6 million in the corresponding period last year. The increase is mainly attributable to higher sales from Family Takaful mortgage related products.

For the quarter under review, General Takaful generated gross earned contributions of RM129.4 million, increased by 8.4%, as compared to RM119.4 million in the corresponding quarter of preceding year. For the 6 months period, General Takaful recorded gross earned contributions of RM272.8 million as compared to RM257.5 million in the corresponding period last year. The growth was mainly from fire and motor classes.

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14 Review of Performance (continued)

For the quarter under review, the Group recorded profit before zakat and taxation of RM59.1 million, increased by 1.7% as compared to RM58.1 million in the same period last year. For the 6 months period, the Group recorded profit before zakat and taxation of RM131.6 million, increased by 13.2% as compared to RM116.3 million in the same period last year. The higher profit is attributable to higher net wakalah fee income.

15 Material Changes in the Quarterly Results Compared to the Results of the Preceding Financial Quarter

For the quarter under review, the profit before zakat and taxation registered RM59.1 million, which was lower by 18.6% as compared to the preceding quarter of RM72.6 million. The decrease in profit was mainly attributable to lower net wakalah fee income.

16 Current Year Prospects

For the year 2017, Takaful Malaysia will continue to emphasize the four core areas of customer reach, operational agility, cost competitiveness and stakeholder confidence to increase its overall market shares and continuously improving shareholders' value. Through its extensive range of products and services, the Company is poised to sustain its position as the market leader in the Family Takaful business. The Company will amplify its presence as the preferred choice for insurance through various advertising and marketing activities and promote its unique proposition of rewarding a 15% Cash Back to its General Takaful customers for no claims during coverage period. The Company will also undertake an enhanced approach to its distribution channel by accelerating digital initiatives to optimize its operations and marketing activities. The Company will actively cultivate its digital presence through an online sales portal and integrated online marketing initiatives as part of its long term strategy to meet the growing needs of the consumers.

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.

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18 Taxation

The effective rate of taxation is consistent with the statutory tax rate for the current financial period in accordance with the Income Tax Act 1967.

	3 months ended		Cumulative 6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Current financial period	10,271	9,790	24,836	24,248
- Under provision in prior year	2,641	-	2,641	-
Deferred tax benefits:				
- Current financial period	1,635	2,778	2,593	(99)
Total tax expense	<u>14,547</u>	<u>12,568</u>	<u>30,070</u>	<u>24,149</u>

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 June 2017.

21 Material Litigation

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

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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 6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Owners of the Company (RM'000)	<u>45,070</u>	<u>45,533</u>	<u>101,824</u>	<u>92,156</u>
Weighted average number of ordinary shares in issue ('000)	<u>823,026</u>	<u>819,890</u>	<u>822,002</u>	<u>817,863</u>
Basic EPS (sen)	<u>5.48</u>	<u>5.55</u>	<u>12.39</u>	<u>11.27</u>

Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share at 31 March 2017 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 6 months ended	
	30.6.2017	30.6.2016	30.6.2017	30.6.2016
Owners of the Company (RM'000)	<u>45,070</u>	<u>45,533</u>	<u>101,824</u>	<u>92,156</u>
Weighted average number of ordinary shares in issue ('000)	<u>823,026</u>	<u>819,890</u>	<u>822,002</u>	<u>817,863</u>
Effects of dilution ('000)	<u>3,031</u>	<u>3,219</u>	<u>3,031</u>	<u>3,219</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>826,057</u>	<u>823,109</u>	<u>825,033</u>	<u>821,082</u>
Diluted EPS (sen)	<u>5.46</u>	<u>5.53</u>	<u>12.34</u>	<u>11.22</u>

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 June 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	28,702	(3,308)	25,394	24,435	(2,292)	22,143
Provision for IBNR	146,873	(26,039)	120,834	150,654	(21,178)	129,476
Provision for outstanding claims	175,575	(29,347)	146,228	175,089	(23,470)	151,619
Actuarial liabilities	4,761,194	(154,549)	4,606,645	4,389,596	(144,096)	4,245,500
Unallocated surplus	703,648	-	703,648	752,643	-	752,643
AFS reserves	(21,579)	-	(21,579)	(48,673)	-	(48,673)
Translation reserves	(2,423)	-	(2,423)	(2,976)	-	(2,976)
Net asset value attributable to unitholders	112,653	-	112,653	246,220	-	246,220
Participants' fund	5,553,493	(154,549)	5,398,944	5,336,810	(144,096)	5,192,714
	5,729,068	(183,896)	5,545,172	5,511,899	(167,566)	5,344,333

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23 Takaful Contract Liabilities (continued)

	30 June 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	250,719	(164,720)	85,999	234,840	(148,013)	86,827
Provision for IBNR	177,149	(90,046)	87,103	172,255	(89,943)	82,312
Provision for outstanding claims	427,868	(254,766)	173,102	407,095	(237,956)	169,139
Provision for unearned contributions	329,056	(60,626)	268,430	316,569	(62,969)	253,600
	756,924	(315,392)	441,532	723,664	(300,925)	422,739
Unallocated surplus	208,831	-	208,831	241,573	-	241,573
AFS reserves	(1,844)	-	(1,844)	(6,011)	-	(6,011)
Translation reserves	1,771	-	1,771	2,177	-	2,177
Participants' fund	208,758	-	208,758	237,739	-	237,739
	965,682	(315,392)	650,290	961,403	(300,925)	660,478

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23 Takaful Contract Liabilities (continued)

	30 June 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	279,421	(168,028)	111,393	259,275	(150,305)	108,970
Provision for IBNR	324,022	(116,085)	207,937	322,909	(111,121)	211,788
Provision for outstanding claims	603,443	(284,113)	319,330	582,184	(261,426)	320,758
Provision for unearned contributions	329,056	(60,626)	268,430	316,569	(62,969)	253,600
	932,499	(344,739)	587,760	898,753	(324,395)	574,358
Actuarial liabilities	4,761,194	(154,549)	4,606,645	4,389,596	(144,096)	4,245,500
Unallocated surplus	912,479	-	912,479	994,216	-	994,216
AFS reserves	(23,423)	-	(23,423)	(54,684)	-	(54,684)
Translation reserves	(652)	-	(652)	(799)	-	(799)
Net asset value attributable to unitholders	74,309	-	74,309	209,204	-	209,204
Participants' fund	5,723,907	(154,549)	5,569,358	5,537,533	(144,096)	5,393,437
	6,656,406	(499,288)	6,157,118	6,436,286	(468,491)	5,967,795

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23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2016	5,157,639	(242,477)	4,915,162	225,836	-	225,836	5,345,445	(242,477)	5,102,968
Net earned contributions	1,229,446	(47,965)	1,181,481	304,424	-	304,424	1,533,870	(47,965)	1,485,905
Investment income	225,346	-	225,346	29,604	-	29,604	254,950	-	254,950
Realised gains and (losses)	(205)	-	(205)	(2,114)	-	(2,114)	(2,319)	-	(2,319)
Fair value gains and (losses)	15,435	-	15,435	143	-	143	15,578	-	15,578
Other operating income	1,047	-	1,047	821	-	821	1,868	-	1,868
Net benefits and claims	(825,156)	62,679	(762,477)	(109,826)	-	(109,826)	(934,982)	62,679	(872,303)
Fees deducted (net)	(327,059)	-	(327,059)	(175,273)	-	(175,273)	(502,332)	-	(502,332)
Other operating expenses	(14,565)	-	(14,565)	(4,671)	-	(4,671)	(19,236)	-	(19,236)
Profit paid to participants	(2,044)	-	(2,044)	(11,610)	-	(11,610)	(13,654)	-	(13,654)
Excess payment transferred to participants	4,472	-	4,472	-	-	-	4,472	-	4,472
Increase in actuarial liabilities	(113,233)	99,420	(13,813)	-	-	-	(113,233)	99,420	(13,813)
Profit attributable to the Takaful Operator	(51,807)	(14,715)	(66,522)	(22,571)	-	(22,571)	(73,364)	(14,715)	(88,079)
Change in AFS reserve	14,082	-	14,082	2,912	-	2,912	16,994	-	16,994
Withholding tax	(8,220)	-	(8,220)	(721)	-	(721)	(8,941)	-	(8,941)
Effect of movement in exchange rates	31,632	(1,038)	30,594	785	-	785	32,417	(1,038)	31,379
At 31 December 2016	5,336,810	(144,096)	5,192,714	237,739	-	237,739	5,537,533	(144,096)	5,393,437

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23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2017	5,336,810	(144,096)	5,192,714	237,739	-	237,739	5,537,533	(144,096)	5,393,437
Net earned contributions	645,024	(28,756)	616,268	159,149	-	159,149	804,173	(28,756)	775,417
Investment income	119,112	-	119,112	14,952	-	14,952	134,064	-	134,064
Realised gains and (losses)	15,093	-	15,093	1,407	-	1,407	16,500	-	16,500
Fair value gains and (losses)	(1,573)	-	(1,573)	-	-	-	(1,573)	-	(1,573)
Other operating income	181	-	181	1,874	-	1,874	2,055	-	2,055
Net benefits and claims	(402,092)	31,440	(370,652)	(79,065)	-	(79,065)	(481,157)	31,440	(449,717)
Fees deducted (net)	(195,989)	-	(195,989)	(107,049)	-	(107,049)	(303,038)	-	(303,038)
Other operating expenses	(3,533)	-	(3,533)	(763)	-	(763)	(4,296)	-	(4,296)
Tax expense	(7,139)	-	(7,139)	(493)	-	(493)	(7,632)	-	(7,632)
Profit paid to participants	(2,495)	-	(2,495)	(13,083)	-	(13,083)	(15,578)	-	(15,578)
Excess payment transferred to participants	(173)	-	(173)	-	-	-	(173)	-	(173)
Increase in actuarial liabilities	76,416	(11,039)	65,377	-	-	-	76,416	(11,039)	65,377
Profit attributable to the Takaful Operator	(27,719)	(2,684)	(30,403)	(9,269)	-	(9,269)	(38,316)	(2,684)	(41,000)
Change in AFS reserve	27,094	-	27,094	4,167	-	4,167	31,261	-	31,261
Withholding tax	(8,794)	-	(8,794)	(403)	-	(403)	(9,197)	-	(9,197)
Effect of movement in exchange rates	(16,730)	586	(16,144)	(405)	-	(405)	(17,135)	586	(16,549)
At 30 June 2017	5,553,493	(154,549)	5,398,944	208,758	-	208,758	5,723,907	(154,549)	5,569,358

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24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator 3 months ended		Cumulative 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Surplus transfer from:				
Family Takaful Fund	14,902	20,562	30,403	34,643
General Takaful Fund	4,388	4,572	9,269	10,290
Wakalah fee income	144,868	129,446	331,128	294,254
Total Takaful Operator income	<u>164,158</u>	<u>154,580</u>	<u>370,800</u>	<u>339,187</u>

25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Rental income	203	180	2,085	2,314	163	214	1,040	1,555
Dividend income	749	968	5,670	4,897	444	605	6,863	6,470
Profit income	9,033	6,767	56,598	49,533	7,252	6,968	72,883	63,268
Accretion / (Amortisation)	(257)	(253)	(1,442)	(1,240)	(300)	(292)	(1,999)	(1,785)
Investment expenses	(19)	(13)	(562)	(578)	(16)	(5)	(533)	(277)
	<u>9,709</u>	<u>7,649</u>	<u>62,349</u>	<u>54,926</u>	<u>7,543</u>	<u>7,490</u>	<u>78,254</u>	<u>69,231</u>

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25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Rental income	394	326	4,364	4,681	380	418	2,303	2,384
Dividend income	927	1,263	6,992	7,973	622	926	8,541	10,162
Profit income	17,227	13,012	111,549	98,152	14,567	13,717	143,343	124,881
Accretion / (Amortisation)	(541)	(498)	(2,850)	(2,368)	(597)	(638)	(3,988)	(3,504)
Investment expenses	(23)	(20)	(943)	(1,056)	(20)	(13)	(711)	(454)
	<u>17,984</u>	<u>14,083</u>	<u>119,112</u>	<u>107,382</u>	<u>14,952</u>	<u>14,410</u>	<u>149,488</u>	<u>133,469</u>

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26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Service charged and management fee	2,374	2,570	-	-	-	-	-	-
Gain on foreign exchange	-	153	-	-	8	-	8	153
Writeback of allowance for impaired financing	2	-	-	-	-	-	2	-
Writeback of allowance for impaired debts	-	-	1,742	2,539	215	1,371	1,957	3,910
Gain on disposal of assets	19	15	-	-	-	-	19	15
Other income	224	-	12	-	219	30	458	-
	<u>2,619</u>	<u>2,738</u>	<u>1,754</u>	<u>2,539</u>	<u>442</u>	<u>1,401</u>	<u>2,444</u>	<u>4,078</u>

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26 Other Operating Income (continued)

The other operating income consists of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Service charged and management fee	5,006	4,863	-	-	-	-	-	-
Gain on foreign exchange	-	189	-	-	8	-	8	189
Writeback of allowance for impaired financing	19	19	-	-	-	-	19	19
Writeback of allowance for impaired debts	-	-	116	-	1,555	14	1,671	14
Gain on disposal of assets	49	32	-	-	-	-	49	32
Other income	466	104	65	1,513	311	26	846	1,643
	<u>5,540</u>	<u>5,207</u>	<u>181</u>	<u>1,513</u>	<u>1,874</u>	<u>40</u>	<u>2,593</u>	<u>1,897</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2017

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Depreciation	(3,311)	(2,715)	-	-	-	-	(5,481)	(4,137)
Impairment losses	(72)	(426)	(639)	(3,249)	(545)	(452)	(1,256)	(4,127)
Loss from foreign exchange	-	-	-	-	-	(146)	-	(146)
Administration fees	(35,430)	(34,883)	-	-	-	-	(35,430)	(34,883)
Agency related expenses	(2,832)	(2,030)	-	-	-	-	(2,832)	(2,030)
Allowance for impaired debts	-	-	-	-	-	-	-	-
Debts written off	-	-	(206)	(83)	-	-	(206)	(83)
Other expenses	(59)	(226)	(833)	(1,132)	(164)	(45)	(373)	(878)
	<u>(41,704)</u>	<u>(40,280)</u>	<u>(1,678)</u>	<u>(4,464)</u>	<u>(709)</u>	<u>(643)</u>	<u>(45,578)</u>	<u>(46,274)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2017

27 Other Operating Expenses (continued)

The other operating expenses consist of the following:

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000	30.6.2017 RM'000	30.6.2016 RM'000
Depreciation	(5,563)	(5,464)	-	-	-	-	(8,823)	(8,311)
Impairment losses	(92)	(1,854)	(660)	(4,008)	(563)	(562)	(1,315)	(6,424)
Loss from foreign exchange	-	-	-	-	-	(146)	-	(146)
Administration fees	(75,007)	(83,884)	-	-	-	-	(75,007)	(83,884)
Agency related expenses	(4,625)	(2,752)	-	-	-	-	(4,625)	(2,752)
Allowance for impaired debts	-	-	-	(1,297)	-	-	-	(1,297)
Debts written off	-	-	(650)	(299)	-	-	(650)	(299)
Other expenses	(357)	(312)	(2,223)	(1,748)	(200)	(188)	(1,504)	(1,240)
	<u>(85,644)</u>	<u>(94,266)</u>	<u>(3,533)</u>	<u>(7,352)</u>	<u>(763)</u>	<u>(896)</u>	<u>(91,924)</u>	<u>(104,353)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2017

28 Fair Value Information

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
30 June 2017										
Takaful Operator										
Financial assets										
Equity securities	25,207	-	-	25,207	-	-	-	-	25,207	25,207
Unit trusts	19,452	11,101	-	30,553	-	-	-	-	30,533	30,533
Institutional Trust Account	-	-	36,193	36,193	-	-	-	-	36,193	36,193
Islamic debt securities	2,891	386,851	-	389,742	10,769	-	-	10,769	400,511	400,513
Investment in linked funds	38,344	-	-	38,344	-	-	-	-	38,344	38,344
	85,894	397,952	36,193	520,039	10,769	-	-	10,769	530,008	530,010
Family Takaful										
Financial assets										
Equity securities	300,822	-	-	300,822	-	-	-	-	300,822	300,822
Unit trusts	121,400	45,682	-	167,082	-	-	-	-	167,082	167,082
Institutional Trust Account	-	-	175,465	175,465	-	-	-	-	175,465	175,465
Islamic debt securities	44,793	2,454,199	-	2,498,992	74,122	372,505	-	446,627	2,945,619	2,942,491
Malaysian Government Islamic papers	-	161,347	-	161,347	-	55,501	-	55,501	216,848	216,340
	467,015	2,661,228	175,465	3,303,708	74,122	428,006	-	502,128	3,805,836	3,802,200

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 30 JUNE 2017

28 Fair Value Information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
30 June 2017										
General Takaful										
Equity securities	16,027	-	-	16,027	-	-	-	-	16,027	16,027
Unit trusts	12,652	-	-	12,652	-	-	-	-	12,652	12,652
Institutional Trust Account	-	-	33,532	33,532	-	-	-	-	33,532	33,532
Islamic debt securities	-	326,738	-	326,738	4,830	5,000	-	9,830	336,568	336,568
Malaysian Government Islamic papers	-	10,102	-	10,102	-	5,046	-	5,046	15,148	15,101
	28,679	336,840	33,532	399,051	4,830	10,046	-	14,876	413,927	413,880
Group										
Financial assets										
Equity securities	342,056	-	-	342,056	-	-	-	-	342,056	342,056
Unit trusts	153,504	56,783	-	210,287	-	-	-	-	210,287	210,287
Institutional Trust Account	-	-	245,190	245,190	-	-	-	-	245,190	245,190
Islamic debt securities	47,684	3,167,788	-	3,215,472	89,721	377,505	-	467,226	3,682,698	3,679,572
Malaysian Government Islamic papers	-	171,449	-	171,449	-	60,547	-	60,547	231,996	231,441
	543,244	3,396,020	245,190	4,184,454	89,721	438,052	-	527,773	4,712,227	4,708,546

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 30 JUNE 2017

28 Fair Value Information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 December 2016										
Takaful Operator										
Financial assets										
Equity securities	40,354	-	-	40,354	-	-	-	-	40,354	40,354
Unit trusts	19,939	13,031	-	32,970	-	-	-	-	32,970	32,970
Institutional Trust Account	-	-	22,529	22,529	-	-	-	-	22,529	22,529
Islamic debt securities	3,888	312,157	-	316,045	11,723	-	-	11,723	327,768	327,883
Investment in linked funds	37,016	-	-	37,016	-	-	-	-	37,016	37,016
	101,197	325,188	22,529	448,914	11,723	-	-	11,723	460,637	460,752
Family Takaful										
Financial assets										
Equity securities	396,058	-	-	396,058	-	-	-	-	396,058	396,058
Unit trusts	124,989	51,818	-	176,807	-	-	-	-	176,807	176,807
Institutional Trust Account	-	-	108,830	108,830	-	-	-	-	108,830	108,830
Islamic debt securities	44,567	2,232,885	-	2,277,452	76,885	371,726	-	448,611	2,726,063	2,723,616
Malaysian Government Islamic papers	-	148,793	-	148,793	-	73,017	-	73,017	221,810	221,306
	565,614	2,433,496	108,830	3,107,940	76,885	444,743	-	521,628	3,629,568	3,626,617

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 30 JUNE 2017

28 Fair Value Information (continued)

31 December 2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Equity securities	36,199	-	-	36,199	-	-	-	-	36,199	36,199
Unit trusts	13,946	-	-	13,946	-	-	-	-	13,946	13,946
Institutional Trust Account	-	-	28,753	28,753	-	-	-	-	28,753	28,753
Islamic debt securities	-	314,484	-	314,484	5,382	5,000	-	10,382	324,866	324,828
Malaysian Government Islamic papers	-	-	-	-	-	32,635	-	32,635	32,635	32,524
	50,145	314,484	28,753	393,382	5,382	37,635	-	43,017	436,399	436,250
Group										
Financial assets										
Equity securities	472,611	-	-	472,611	-	-	-	-	472,611	472,611
Unit trusts	158,874	64,849	-	223,723	-	-	-	-	223,723	223,723
Institutional Trust Account	-	-	160,112	160,112	-	-	-	-	160,112	160,112
Islamic debt securities	48,455	2,859,526	-	2,907,981	93,990	376,726	-	470,716	3,378,697	3,376,327
Malaysian Government Islamic papers	-	148,793	-	148,793	-	105,652	-	105,652	254,445	253,830
	679,940	3,073,168	160,112	3,913,220	93,990	482,378	-	576,368	4,489,588	4,486,603

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 JUNE 2017

28 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.

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 BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2017

28 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:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Available-for-sale financial assets				
At 1 January 2016	21,411	103,801	27,429	152,641
Purchases	19,004	24,534	5,007	48,545
Maturities	(19,004)	(24,534)	(5,007)	(48,545)
Gains and losses recognised in profit or loss				
Investment income - realised	1,118	5,029	1,324	7,471
At 31 December 2016 / 1 January 2017	22,529	108,830	28,753	160,112
Purchases	13,000	83,272	5,267	101,539
Maturities	-	(20,272)	(1,267)	(21,539)
Gains and losses recognised in profit or loss				
Investment income - realised	664	3,635	779	5,078
At 30 June 2017	36,193	175,465	33,532	245,190

29 Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items

Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items are not applicable to the Group and the Company.

30 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 period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 JUNE 2017

30 Regulatory capital requirements (continued)

The capital structure of the Company as at 30 June 2017, as prescribed under the RBCT Framework is provided below:

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Tier 1 capital	1,689,646	1,212,934
Tier 2 capital	2,579	(16,620)
Deductions	(106,688)	(122,376)
Total capital available	1,585,537	1,073,938

31 Supplementary Financial Information on the Breakdown of Realised and Unrealised Profits

The breakdown of the retained profits of the Group and of the Company as at 30 June 2017, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Group		
Realised	594,590	490,488
Unrealised	26,339	28,932
	620,929	519,420
Total share of retained profits of associates:		
Realised	-	-
Unrealised	-	-
	620,929	519,420
Add: Consolidation adjustments	7,095	6,780
Total retained profits as per statements of financial position	628,024	526,200

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

By Order of the Board

MOHAMAD ASRI BIN YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 20 July 2017