

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 SEPTEMBER 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 September 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 September 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

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
9 months ended 30 September 2017			
Revenue from external participants	1,509,940	111,481	1,621,421
Profit before zakat and taxation	197,605	30	197,635
As at 30 September 2017			
Segment assets by location of assets	7,504,679	542,711	8,047,390
Segment liabilities by location of liabilities	6,676,168	474,000	7,150,168

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8 Segmental Reporting (continued)

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
9 months ended 30 September 2016			
Revenue from external participants	1,392,108	130,326	1,522,434
Profit before zakat and taxation	178,380	1,743	180,123
As at 30 September 2016			
Segment assets by location of assets	7,148,759	568,464	7,717,223
Segment liabilities by location of liabilities	6,417,927	500,284	6,918,211

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

As announced to Bursa Malaysia on 13 September 2017, the Company had on 12 September 2017 incorporated a wholly-owned subsidiary under the Companies Act 2016 by the name of Syarikat Takaful Malaysia Am Berhad (STMAB) in connection with the conversion of composite licence to single licences for the Company's family takaful business and general takaful business pursuant to the requirements of Sections 16(1) and 286 of the Islamic Financial Services Act, 2013.

Other than the above, there is no change in the composition of the Group for the current financial quarter under review.

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13 Contingent Liabilities

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

14 Review of Performance

	3 months ended			9 months ended		
	30.9.2017 RM'000	30.9.2016 RM'000	Changes %	30.9.2017 RM'000	30.9.2016 RM'000	Changes %
Operating revenue	476,242	426,973	12%	1,621,421	1,522,434	7%
Gross earned contributions	443,284	423,666	5%	1,361,187	1,281,041	6%
Profit before tax	66,017	63,839	3%	197,635	180,123	10%
Profit after tax	48,206	43,935	10%	149,397	135,642	10%
Profit attributable to owners of the Company	48,571	44,862	8%	150,395	137,018	10%

14.1 Financial results of the current year-to-date (YTD) against preceding YTD

Operating revenue

The Group recorded operating revenue of RM1,621.4 million for the financial period ended 30 September 2017, an increase of 7% or RM99.0 million as compared to the preceding financial period ended 30 September 2016. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

Profit before zakat and tax

For the 9 month period, the Group recorded profit before zakat and taxation of RM197.6 million, increased by 10% as compared to RM180.1 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from our robust business growth in the General Takaful business.

Family Takaful

Family Takaful business generated gross earned contributions of RM948.0 million in the financial period ended 30 September 2017 as compared to RM901.6 million in the corresponding period last year. The increase was mainly attributable to higher sales from Family Takaful mortgage related products.

The 9 months net benefits and claims for Family Takaful business decreased by 12% to RM519.6 million from RM591.0 million in the same period of the preceding year mainly due to decrease in medical claims.

The YTD investment income also grew by 7% to RM178.6 million from RM167.2 million in the same period of the preceding year. The increase was mainly due to higher profit from Islamic debts securities, partially offset by the lower dividend income from equity securities.

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14 Review of Performance (continued)

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

General Takaful

General Takaful business generated gross earned contributions of RM413.1 million in the financial period ended 30 September 2017 as compared to RM379.2 million in the corresponding period last year. The growth was mainly from fire and motor classes.

The 9 months net benefits and claims for General Takaful business increased by 30% to RM123.5 million from RM95.3 million in the same period of the preceding year mainly due to increase in claims relating to fire and motor classes.

The YTD investment income of RM22.0 million is almost at par with the investment income in the same period of the preceding year of RM21.9 million.

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

Operating revenue

For the 3rd quarter ended 30 September 2017, the Group generated Operating Revenue of RM476.2 million as compared to RM427.0 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM66.0 million, increased by 3% as compared to RM63.8 million in the same period last year. The increase in profit was mainly attributable to increase in net wakalah fee income and lower management expenses.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM303.0 million, is consistent with gross earned contributions of RM302.0 million in the same period last year.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM148.9 million, a decrease of 23% as compared to the corresponding quarter of preceding year. The decrease was mainly due to decrease in medical claims.

Investment income for the Family Takaful business for the current year quarter of RM59.5 million, is consistent with investment income of RM59.8 million in the corresponding quarter of preceding year.

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14 Review of Performance (continued)

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

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM140.3 million, increased by 15%, as compared to RM121.7 million in the corresponding quarter of preceding year. The growth was mainly from fire and motor classes.

General Takaful business recorded net benefits and claims of RM44.4 million for the quarter under review, an increase of 39% as compared to the corresponding quarter of preceding year. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM7.1 million, lower by 6% as compared to RM7.5 million in the corresponding quarter of preceding year. The decrease was mainly due to lower dividend income from equity securities.

14.3 Indonesian Operations

The operating revenue of Indonesian operations decreased by 14% to RM111.5 million from RM130.3 million in the corresponding quarter of preceding year whilst, the gross earned contribution decreased by 14% to RM101.8 million compared to RM118.6 million in corresponding quarter of preceding year. The Indonesian operations recorded profit before zakat and tax of RM0.003 million as at 30 September 2017 as compared to RM1.7 million in corresponding quarter of preceding year. The lower result was mainly attributable to PT Asuransi Takaful Umum (ATU), a subsidiary, which is currently under the Member's Voluntary Liquidation stage. ATU will continue its operations for the existing block of business only.

The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 30 September 2017, total assets grew by 4% to RM8,047.4 million as compared to RM7,757.7 million as at 31 December 2016, mainly attributable to the increase in other investments as well as loan and receivables (excluding takaful receivables).

Compared to 31 December 2016, other investments increased from RM4,487.0 million to RM4,819.3 million as at 30 September 2017, mainly attributable to the increase in Islamic debts securities. The exposure to Islamic debts securities increased by 12% to RM3,776.5 million. The increase was mainly attributable to new purchases as well as gains in market value.

Loans and receivables excluding takaful receivables consist of financing receivables, fixed and call deposits with licensed financial institutions with more than 3 months maturity as well as other receivables. The balance was 4% higher than the previous year primarily due to increase in money market.

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14 Review of Performance (continued)

14.4 Review of Statements of Financial Position (continued)

Total liabilities increased by RM135.6 million to RM7,150.2 million as compared to RM7,014.5 million as at 31 December 2016, mainly attributable to higher takaful contract liabilities. The increase in takaful contract liabilities from RM6,436.3 million as at 31 December 2016 to RM6,673.9 million as at 30 September 2017 was in line with the Company's business growth.

Shareholders' equity increased by RM154.1 million to RM897.2 million as at 30 September 2017. This is mainly attributed to the increase in distributable retained earnings of RM150.3 million.

14.5 Review of Statements of Cash flows

For the 9 month period ended 30 September 2017, the Group generated positive cash flow from operating activities, which indicates that the Group's cash flow position is healthy.

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30.9.2017 RM'000	Immediate Preceding Quarter 30.6.2017 RM'000	Changes %
Operating revenue	476,242	485,338	-2%
Gross earned contributions	443,284	447,405	-1%
Profit before tax	66,017	59,053	12%
Profit after tax	48,206	44,364	9%
Profit attributable to owners of the Company	48,571	45,070	8%

Operating revenue

For the quarter under review, the Group generated Operating Revenue of RM476.2 million as compared to RM485.3 million in the immediate preceding quarter. The decrease is mainly attributable to lower sales generated from Family Takaful business.

Profit before zakat and tax

For the quarter under review, the profit before zakat and taxation registered RM66.0 million was higher by 12% as compared to the immediate preceding quarter of RM59.1 million. The increase in profit was mainly attributable to lower management expenses.

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

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM303 million, decreased by 5%, as compared to RM317.9 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from group medical products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM148.9 million, a decrease of 17% as compared to the immediate preceding quarter. The decrease was mainly due to decrease in medical claims.

Investment income for the Family Takaful business of RM59.5 million, decreased by 5% as compared to RM62.3 million in the immediate preceding quarter. The decrease was mainly attributable to lower dividend income from equity securities.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM140.3 million, increased by 8%, as compared to RM129.4 million in the immediate preceding quarter. The growth was mainly from fire and motor classes.

For the quarter under review, General Takaful business recorded net benefits and claims of RM44.4 million, an increase of 26% as compared to the immediate preceding quarter. The increase was mainly due to increase in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM7.1 million, decreased by 6% as compared to RM7.5 million in the immediate preceding quarter. The decrease was mainly due to lower dividend income from equity securities.

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 9 months ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Current tax expense:				
- Current financial period	14,174	11,387	39,010	35,635
- Under provision in prior year	(3,035)	2,500	(394)	2,500
Deferred tax benefits:				
- Current financial period	6,497	5,824	9,090	5,725
Total tax expense	<u>17,636</u>	<u>19,711</u>	<u>47,706</u>	<u>43,860</u>

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, disallowing General Takaful business' administration fee (i.e. commission expenses) as deductions under the Takaful Operator Fund, deeming of profit commission earned on retakaful ceded as incidental gross income, Wakalah fee received from the Family Takaful Fund to tax as gross income of Takaful Operator fund and disregarded the adjusted loss from the General Takaful fund in the arriving taxable profit. 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 and have treated the additional tax payment as tax recoverable.

19 Status of Corporate Proposal

The Company announced to Bursa Malaysia on 10 August 2017 the conversion of composite licence to single licences for the Company's family takaful business and general takaful business ("Proposed Reorganisation") pursuant to the requirements of Sections 16(1) and 286 of the Islamic Financial Services Act, 2013. The Proposed Reorganisation is expected to be completed by the second quarter of 2018.

Subsequently, the Company had on 12 September 2017 incorporated a wholly-owned subsidiary under the Companies Act 2016 by the name of Syarikat Takaful Malaysia Am Berhad (STMAB) as stated in Note 12 above.

Other than the above, there has been no new corporate proposal since the date of the last quarterly report.

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20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 September 2017.

21 Material Litigation

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

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Owners of the Company (RM'000)	48,571	44,862	150,395	137,018
Weighted average number of ordinary shares in issue ('000)	822,388	820,496	822,388	818,746
Basic EPS (sen)	5.90	5.47	18.29	16.74

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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
Owners of the Company (RM'000)	48,571	44,862	150,395	137,018
Weighted average number of ordinary shares in issue ('000)	822,388	820,496	822,388	818,746
Effects of dilution ('000)	2,591	3,929	2,591	3,929
Diluted weighted average number of ordinary shares in issue ('000)	824,979	824,425	824,979	822,675
Diluted EPS (sen)	5.88	5.44	18.23	16.66

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 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	22,303	(3,525)	18,778	24,435	(2,292)	22,143
Provision for IBNR	136,035	(29,988)	106,047	150,654	(21,178)	129,476
Provision for outstanding claims	158,338	(33,513)	124,825	175,089	(23,470)	151,619
Actuarial liabilities	4,804,647	(148,312)	4,656,335	4,389,596	(144,096)	4,245,500
Unallocated surplus	684,527	-	684,527	752,643	-	752,643
AFS reserves	(19,846)	-	(19,846)	(48,673)	-	(48,673)
Translation reserves	(2,082)	-	(2,082)	(2,976)	-	(2,976)
Net asset value attributable to unitholders	116,005	-	116,005	246,220	-	246,220
Participants' fund	5,583,251	(148,312)	5,434,939	5,336,810	(144,096)	5,192,714
	5,741,589	(181,825)	5,559,764	5,511,899	(167,566)	5,344,333

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23 Takaful Contract Liabilities (continued)

	30 September 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	250,440	(163,676)	86,764	234,840	(148,013)	86,827
Provision for IBNR	185,700	(90,445)	95,255	172,255	(89,943)	82,312
Provision for outstanding claims	436,140	(254,121)	182,019	407,095	(237,956)	169,139
Provision for unearned contributions	330,992	(57,387)	273,605	316,569	(62,969)	253,600
	767,132	(311,508)	455,624	723,664	(300,925)	422,739
Unallocated surplus	204,427	-	204,427	241,573	-	241,573
AFS reserves	(2,347)	-	(2,347)	(6,011)	-	(6,011)
Translation reserves	1,543	-	1,543	2,177	-	2,177
Participants' fund	203,623	-	203,623	237,739	-	237,739
	970,755	(311,508)	659,247	961,403	(300,925)	660,478

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23 Takaful Contract Liabilities (continued)

	30 September 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	272,743	(167,201)	105,542	259,275	(150,305)	108,970
Provision for IBNR	321,735	(120,433)	201,302	322,909	(111,121)	211,788
Provision for outstanding claims	594,478	(287,634)	306,844	582,184	(261,426)	320,758
Provision for unearned contributions	330,992	(57,387)	273,605	316,569	(62,969)	253,600
	925,470	(345,021)	580,449	898,753	(324,395)	574,358
Actuarial liabilities	4,804,647	(148,312)	4,656,335	4,389,596	(144,096)	4,245,500
Unallocated surplus	888,954	-	888,954	994,216	-	994,216
AFS reserves	(22,193)	-	(22,193)	(54,684)	-	(54,684)
Translation reserves	(539)	-	(539)	(799)	-	(799)
Net asset value attributable to unitholders	77,598	-	77,598	209,204	-	209,204
Participants' fund	5,748,467	(148,312)	5,600,155	5,537,533	(144,096)	5,393,437
	6,673,937	(493,333)	6,180,604	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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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 2017

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	947,992	(42,882)	905,110	244,330	-	244,330	1,192,322	(42,882)	1,149,440
Investment income	178,621	-	178,621	22,032	-	22,032	200,653	-	200,653
Realised gains and (losses)	20,306	-	20,306	2,123	-	2,123	22,429	-	22,429
Fair value gains and (losses)	(16,841)	-	(16,841)	-	-	-	(16,841)	-	(16,841)
Other operating income	2,608	-	2,608	1,208	-	1,208	3,816	-	3,816
Net benefits and claims	(565,281)	45,731	(519,550)	(123,452)	-	(123,452)	(688,733)	45,731	(643,002)
Fees deducted (net)	(275,852)	-	(275,852)	(145,744)	-	(145,744)	(421,596)	-	(421,596)
Other operating expenses	(7,315)	-	(7,315)	(2,812)	-	(2,812)	(10,127)	-	(10,127)
Tax expense	(10,694)	-	(10,694)	(2,180)	-	(2,180)	(12,874)	-	(12,874)
Profit paid to participants	(3,767)	-	(3,767)	(18,685)	-	(18,685)	(22,452)	-	(22,452)
Excess payment transferred to participants	(258)	-	(258)	-	-	-	(258)	-	(258)
Increase in actuarial liabilities	25,287	(5,222)	20,065	-	-	-	25,287	(5,222)	20,065
Profit attributable to the Takaful Operator	(40,917)	(2,850)	(43,767)	(13,562)	-	(13,562)	(55,870)	(2,850)	(58,720)
Change in AFS reserve	28,827	-	28,827	3,664	-	3,664	32,491	-	32,491
Withholding tax	(8,794)	-	(8,794)	(403)	-	(403)	(9,197)	-	(9,197)
Effect of movement in exchange rates	(27,481)	1,007	(26,474)	(635)	-	(635)	(28,116)	1,007	(27,109)
At 30 September 2017	5,583,251	(148,312)	5,434,939	203,623	-	203,623	5,748,467	(148,312)	5,600,155

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

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 9 months ended	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	13,364	17,690	43,767	52,333
General Takaful Fund	4,293	2,470	13,562	12,760
Wakalah fee income	146,695	127,523	477,823	421,777
Total Takaful Operator income	<u>164,352</u>	<u>147,683</u>	<u>535,152</u>	<u>486,870</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	
	30.9.2017	30.9.2016	30.9.2017	30.9.2016	30.9.2017	30.9.2016	30.9.2017	30.9.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	203	173	2,214	2,557	197	228	1,224	1,444
Dividend income	307	784	1,662	6,390	117	563	2,086	7,737
Profit income	10,182	7,759	57,748	52,676	7,147	7,105	75,077	67,540
Accretion / (Amortisation)	(236)	(270)	(1,576)	(1,324)	(311)	(325)	(2,123)	(1,919)
Investment expenses	(22)	(18)	(539)	(506)	(70)	(54)	(555)	(250)
	<u>10,434</u>	<u>8,428</u>	<u>59,509</u>	<u>59,793</u>	<u>7,080</u>	<u>7,517</u>	<u>75,709</u>	<u>74,552</u>

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

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Rental income	597	499	6,578	7,238	577	646	3,527	3,828
Dividend income	1,234	2,047	8,654	14,363	739	1,489	10,627	17,899
Profit income	27,409	20,771	169,297	150,828	21,714	20,822	218,420	192,421
Accretion / (Amortisation)	(777)	(768)	(4,426)	(3,692)	(908)	(963)	(6,111)	(5,423)
Investment expenses	(45)	(38)	(1,482)	(1,562)	(90)	(67)	(1,266)	(704)
	<u>28,418</u>	<u>22,511</u>	<u>178,621</u>	<u>167,175</u>	<u>22,032</u>	<u>21,927</u>	<u>225,197</u>	<u>208,021</u>

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

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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Service charged and management fee	4,252	2,596	-	-	-	-	9	12
Gain on foreign exchange	-	-	-	-	-	803	-	698
Writeback of allowance for impaired financing	217	21	-	-	-	-	217	21
Writeback of allowance for impaired debts	-	-	1,273	1,023	-	-	1,273	710
Gain on disposal of assets	53	88	-	-	-	-	53	88
Other income	157	323	1,154	742	-	157	1,316	987
	<u>4,679</u>	<u>3,028</u>	<u>2,427</u>	<u>1,765</u>	<u>-</u>	<u>960</u>	<u>2,868</u>	<u>2,516</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

26 Other Operating Income (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Service charged and management fee	9,258	7,459	-	-	-	-	9	12
Gain on foreign exchange	-	84	-	-	6	657	6	741
Writeback of allowance for impaired financing	236	40	-	-	-	-	236	40
Writeback of allowance for impaired debts	-	-	1,389	-	1,062	-	2,451	-
Gain on disposal of assets	102	120	-	-	-	-	102	120
Other income	623	192	1,219	2,255	140	183	1,982	2,630
	<u>10,219</u>	<u>7,895</u>	<u>2,608</u>	<u>2,255</u>	<u>1,208</u>	<u>840</u>	<u>4,786</u>	<u>3,543</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

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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	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Depreciation	(2,724)	(2,685)	-	-	-	-	(4,332)	(4,125)
Impairment losses	(528)	(1,083)	(3,623)	(4,511)	(167)	(641)	(4,318)	(6,235)
Loss from foreign exchange	-	(105)	-	-	(2)	-	(2)	-
Administration fees	(34,687)	(23,677)	-	-	-	-	(34,687)	(23,677)
Agency related expenses	(1,928)	(2,312)	-	-	-	-	(1,928)	(2,312)
Allowance for impaired debts	-	-	-	-	(493)	(313)	(493)	-
Allowance for impaired wakalah fee receivables	-	(1,667)	-	-	-	-	-	(1,667)
Debts written off	-	-	(31)	(8)	-	(362)	(31)	(370)
Other expenses	(308)	-	(128)	(1,054)	(2,053)	(104)	-	(430)
	<u>(40,175)</u>	<u>(31,529)</u>	<u>(3,782)</u>	<u>(5,573)</u>	<u>(2,715)</u>	<u>(1,420)</u>	<u>(45,791)</u>	<u>(38,816)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

27 Other Operating Expenses (continued)

The other operating expenses consist of the following:

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000	30.9.2017 RM'000	30.9.2016 RM'000
Depreciation	(8,287)	(8,149)	-	-	-	-	(13,155)	(12,436)
Impairment losses	(620)	(2,937)	(4,283)	(8,519)	(730)	(1,023)	(5,633)	(12,659)
Administration fees	(109,694)	(107,561)	-	-	-	-	(109,694)	(107,561)
Agency related expenses	(6,553)	(5,064)	-	-	-	-	(6,553)	(5,064)
Allowance for impaired debts	-	-	-	(274)	-	(299)	-	(573)
Allowance for impaired wakalah fee receivables	-	(1,667)	-	-	-	-	-	(1,667)
Debts written off	-	-	(681)	(307)	-	(362)	(681)	(669)
Other expenses	(665)	(77)	(2,351)	(2,802)	(2,082)	(292)	(1,324)	(1,670)
	<u>(125,819)</u>	<u>(125,455)</u>	<u>(7,315)</u>	<u>(11,902)</u>	<u>(2,812)</u>	<u>(2,156)</u>	<u>(137,040)</u>	<u>(142,299)</u>

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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 September 2017										
Takaful Operator										
Financial assets										
Equity securities	23,057	-	-	23,057	-	-	-	-	23,057	23,057
Unit trusts	13,054	9,229	-	22,283	-	-	-	-	22,283	22,283
Institutional Trust Account	-	-	36,625	36,625	-	-	-	-	36,625	36,625
Islamic debt securities	2,848	427,700	-	430,548	12,010	-	-	12,010	442,558	441,992
Investment in linked funds	38,407	-	-	38,407	-	-	-	-	38,407	38,407
	77,366	436,929	36,625	550,920	12,010	-	-	12,010	562,930	562,364
Family Takaful										
Financial assets										
Equity securities	312,744	-	-	312,744	-	-	-	-	312,744	312,744
Unit trusts	123,844	28,272	-	152,116	-	-	-	-	152,116	152,116
Institutional Trust Account	-	-	177,525	177,525	-	-	-	-	177,525	177,525
Islamic debt securities	47,387	2,507,609	-	2,554,996	79,183	373,488	-	452,671	3,007,667	2,999,865
Malaysian Government Islamic papers	-	200,491	-	200,491	-	55,526	-	55,526	256,017	255,485
	483,975	2,736,372	177,525	3,397,872	79,183	429,014	-	508,197	3,906,069	3,897,735

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

28 Fair Value Information (continued)

30 September 2017	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	15,611	-	-	15,611	-	-	-	-	15,611	15,611
Unit trusts	7,951	-	-	7,951	-	-	-	-	7,951	7,951
Institutional Trust Account	-	-	33,893	33,893	-	-	-	-	33,893	33,893
Islamic debt securities	-	326,236	-	326,236	3,548	5,000	-	8,548	334,784	334,691
Malaysian Government Islamic papers	-	-	-	-	-	5,048	-	5,048	5,048	5,000
	23,562	326,236	33,893	383,691	3,548	10,048	-	13,596	397,287	397,146
Group										
Financial assets										
Equity securities	351,412	-	-	351,412	-	-	-	-	351,412	351,412
Unit trusts	144,849	37,501	-	182,350	-	-	-	-	182,350	182,350
Institutional Trust Account	-	-	248,043	248,043	-	-	-	-	248,043	248,043
Islamic debt securities	50,235	3,261,545	-	3,311,780	94,741	378,488	-	473,229	3,785,009	3,776,548
Malaysian Government Islamic papers	-	200,491	-	200,491	-	60,574	-	60,574	261,065	260,485
	546,496	3,499,537	248,043	4,294,076	94,741	439,062	-	533,803	4,827,879	4,818,838

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 SEPTEMBER 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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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	1,096	5,695	1,140	7,931
At 30 September 2017	36,625	177,525	33,893	248,043

29 Additional Information

Takaful receivables

The age analysis of takaful receivables past-due but not impaired as at the end of the reporting period based on days past-due was as follows:

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	30.9.2017 RM'000	31.12.2016 RM'000	30.9.2017 RM'000	31.12.2016 RM'000	30.9.2017 RM'000	31.12.2016 RM'000
1-30 days	363	2,195	248	554	611	2,749
31-60 days	2,189	2,903	1,083	527	3,272	3,430
61-90 days	436	1,572	481	720	917	2,292
91-180 days	15,729	19,474	5,590	1,477	21,319	20,951
> 180 days	319	31	2,909	4,487	3,228	4,518
	19,036	26,175	10,311	7,765	29,347	33,940

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 SEPTEMBER 2017

29 Additional Information (continued)

Takaful receivables (continued)

The average credit terms of takaful receivables granted to related parties and non-related parties are 6 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.

The significant takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period, are as follows. Takaful receivables due from related parties are trade related and have been entered into for the purpose of takaful coverage and under normal trade terms.

	Family Takaful		General Takaful		Group	
	30.9.2017	31.12.2016	30.9.2017	31.12.2016	30.9.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam Malaysia berhad	129	252	1,882	1,094	2,011	1,346

The Group and the Company assess impairment on an individual and collective basis. The Group and the Company will assess on a case by case basis, whether there is any objective evidence that the outstanding due is impaired for contribution due and claims recovery that are considered individually significant. The criteria that the Group and the Company use to determine whether there is objective evidence of impairment for those selected for individual assessment include:

- (i) contribution due or claims recovery past-due for 6 months or more and where outstanding receivables is above 2% of total takaful receivables and RM200,000 for Family and General takaful receivables respectively;
- (ii) significant financial difficulty of customer / intermediaries;
- (iii) long outstanding balances where these are disputed and not resolved; and
- (iv) breach of contract, such as default or delinquency in payments.

The Group and the Company record impairment allowance for loans and receivables and takaful receivables in separate "Allowance for Impairment" accounts. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivables directly. There were no material provisions and write-off of trade receivables during the period.

Before takaful receivables are deemed uncollectible, consistent follow-up action such as requesting for payments including reminders will be sent to the relevant debtors. Where the amount due exceeds the internal threshold, a Letter of Demand will be imposed on the debtors.

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

29 Additional Information (continued)

Material Impairment of Assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

The breakdown of the assets' impairment losses, its carrying value in the book before impairment, carrying value in the book after impairment against its market value are as follows:

	3 months ended 30 September 2017				3 months ended 30 September 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
Takaful Operator								
<u>Available-for-sale financial assets</u>								
Equity securities	-	-	-	-	(489)	2,828	2,339	2,339
Unit trust	(528)	9,002	8,474	8,474	(594)	8,754	8,160	8,160
	(528)	9,002	8,474	8,474	(1,083)	11,582	10,499	10,499
Family Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	-	-	-	-	(3,894)	23,530	19,636	19,636
Unit trust	(3,380)	57,631	54,251	54,251	(617)	3,112	2,495	2,495
Islamic debts securities	(243)	1,574	1,331	1,331	-	-	-	-
	(3,623)	59,205	55,582	55,582	(4,511)	26,642	22,131	22,131

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

29 Additional Information (continued)

Material Impairment of Assets (continued)

	3 months ended 30 September 2017				3 months ended 30 September 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
General Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	-	-	-	-	(509)	2,952	2,443	2,443
Unit trust	(167)	2,841	2,674	2,674	(132)	2,502	2,370	2,370
	(167)	2,841	2,674	2,674	(641)	5,454	4,813	4,813
Group								
<u>Available-for-sale financial assets</u>								
Equity securities	-	-	-	-	(4,892)	29,310	24,418	24,418
Unit trust	(4,075)	69,474	65,399	65,399	(1,343)	14,368	13,025	13,025
Islamic debts securities	(243)	1,574	1,331	1,331	-	-	-	-
	(4,318)	71,048	66,730	66,730	(6,235)	43,678	37,443	37,443

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

29 Additional Information (continued)

Material Impairment of Assets (continued)

	9 months ended 30 September 2017				9 months ended 30 September 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
Takaful Operator								
<u>Available-for-sale financial assets</u>								
Equity securities	(92)	2,640	2,548	2,548	(1,021)	4,329	3,308	3,308
Unit trust	(528)	9,002	8,474	8,474	(1,916)	20,568	18,652	18,652
	(620)	11,642	11,022	11,022	(2,937)	24,897	21,960	21,960
Family Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	(660)	12,293	11,633	11,633	(7,902)	34,637	26,735	26,735
Unit trust	(3,380)	57,631	54,251	54,251	(617)	3,112	2,495	2,495
Islamic debts securities	(243)	1,574	1,331	1,331	-	-	-	-
	(4,283)	71,498	67,215	67,215	(8,519)	37,749	29,230	29,230

SYARIKAT TAKAFUL MALAYSIA BERHAD

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

29 Additional Information (continued)

Material Impairment of Assets (continued)

	9 months ended 30 September 2017				9 months ended 30 September 2016			
	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000	Impairment losses RM'000	Carrying value before impairment RM'000	Carrying value after impairment RM'000	Market value RM'000
General Takaful								
<u>Available-for-sale financial assets</u>								
Equity securities	(563)	3,802	3,239	3,239	(1,071)	4,529	3,458	3,458
Unit trust	(167)	2,841	2,674	2,674	(132)	2,502	2,370	2,370
	(730)	6,643	5,913	5,913	(1,203)	7,031	5,828	5,828
Group								
<u>Available-for-sale financial assets</u>								
Equity securities	(1,315)	18,735	17,420	17,420	(9,994)	43,495	33,501	33,501
Unit trust	(4,075)	69,474	65,399	65,399	(2,665)	26,182	23,517	23,517
Islamic debts securities	(243)	1,574	1,331	1,331	-	-	-	-
	(5,633)	89,783	84,150	84,150	(12,659)	69,677	57,018	57,018

Impairment losses for equity securities are estimated and recognised in profit or loss if there is a significant or prolonged decline in the fair value below its cost.

Impairment losses for Islamic debts securities classified as available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised.

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 SEPTEMBER 2017

30 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.

31 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.

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

	As at 30.9.2017 RM'000	As at 31.12.2016 RM'000
Tier 1 capital	1,424,113	1,212,934
Tier 2 capital	5,596	(16,620)
Deductions	(105,986)	(122,376)
Total capital available	1,323,723	1,073,938

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 30 SEPTEMBER 2017

32 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 September 2017, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	As at 30.9.2017 RM'000	As at 31.12.2016 RM'000
Total retained profits of the Group		
Realised	650,000	490,488
Unrealised	19,842	28,932
	<hr/> 669,842	<hr/> 519,420
Total share of retained profits of associates:		
Realised	-	-
Unrealised	-	-
	<hr/> 669,842	<hr/> 519,420
Add: Consolidation adjustments	6,695	6,780
	<hr/> 676,537	<hr/> 526,200
Total retained profits as per statements of financial position	<hr/> <hr/> 676,537	<hr/> <hr/> 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 October 2017