

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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 2018. 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.

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 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 2017. 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 2017.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

The accounting policies and presentation adopted by the Group for the condensed interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2017, except for the adoption of the following:

**MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 2, Share-based Payment - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 4, Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)
- Amendments to MFRS 140, Investment Property - Transfers of Investment Property
- IC Interpretation 22 Foreign Currency Transactions and Advance Consideration

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 as disclosed below:

**MFRS 9, *Financial Instruments***

MFRS 9, *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces MFRS 139 *Financial Instruments: Recognition and Measurement*.

(i) Classification of financial assets under MFRS 9

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL"). The classification of financial assets under MFRS 9 is generally based on the business model in which a financial assets is managed and its contractual cash flow characteristics. The standard eliminates the previous MFRS 139 categories of held-to-maturity ("HTM"), loans and receivables ("LAR") and available for sale ("AFS").

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments (continued)***

(i) Classification of financial assets under MFRS 9 (continued)

Based on its assessment, the financial assets held by the Group as at 1 January 2018 are reclassified to the following classifications:

<b>Financial assets</b>		<b>Original classification under MFRS 139</b>	<b>New classification under MFRS 9</b>	<b>Original carrying amount under MFRS 139 RM'000</b>	<b>New carrying amount under MFRS 9 RM'000</b>
<u>Takaful Operator</u>					
Investment in:					
- Equity securities	(a)	AFS	FVTPL	19,491	19,491
- Equity securities	(b)	FVTPL	FVTPL	1,225	1,225
- Unit trusts	(c)	AFS	FVTPL	20,390	20,390
- Institutional Trust Account	(d)	AFS	FVOCI	37,032	36,912
- Islamic debts securities	(d)	AFS	FVOCI	427,031	427,031
- Islamic debts securities	(e)	AFS	FVTPL	19,323	19,323
- Islamic debts securities	(b)	FVTPL	FVTPL	4,255	4,255
- Islamic debts securities	(f)	HTM	FVTPL	10,034	10,703
- Investment-linked funds	(c)	AFS	FVTPL	38,696	38,696
Loans and receivables, excluding Takaful receivables		LAR	AC	285,043	285,043
Structured deposits classified as loan and receivables	(h)	LAR	FVTPL	54,000	53,131
Cash and cash equivalents		LAR	AC	205,265	205,265
				<u>1,121,785</u>	<u>1,121,465</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(i) Classification of financial assets under MFRS 9 (continued)

<b>Financial assets</b>		<b>Original classification under MFRS 139</b>	<b>New classification under MFRS 9</b>	<b>Original carrying amount under MFRS 139 RM'000</b>	<b>New carrying amount under MFRS 9 RM'000</b>
<u>Family Takaful</u>					
Investment in:					
- Equity securities	(a)	AFS	FVTPL	157,863	157,863
- Equity securities	(b)	FVTPL	FVTPL	131,278	131,278
- Unit trusts	(c)	AFS	FVTPL	153,629	153,629
- Unit trusts	(b)	FVTPL	FVTPL	996	996
- Institutional Trust Account	(d)	AFS	FVOCI	179,706	179,124
- Islamic debts securities	(d)	AFS	FVOCI	2,322,504	2,322,504
- Islamic debts securities	(e)	AFS	FVTPL	161,594	161,594
- Islamic debts securities	(b)	FVTPL	FVTPL	87,035	87,035
- Islamic debts securities	(f)	HTM	FVOCI	369,205	372,150
- Islamic debts securities	(g)	HTM	FVTPL	72,291	75,676
- Malaysian Government Islamic Papers	(e)	AFS	FVOCI	218,952	218,952
- Malaysian Government Islamic Papers	(f)	HTM	FVOCI	54,994	55,518
Retakaful assets		LAR	AC	211,459	211,459
Loans and receivables, excluding Takaful receivables	(i)	LAR	AC	650,584	649,992
Structured deposits classified as loan and receivables	(h)	LAR	FVTPL	277,000	270,057
Takaful receivables	(i)	LAR	AC	77,441	75,749
Cash and cash equivalents	(i)	LAR	AC	594,175	594,175
				<u>5,720,706</u>	<u>5,717,715</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(i) Classification of financial assets under MFRS 9 (continued)

<b>Financial assets</b>		<b>Original classification under MFRS 139</b>	<b>New classification under MFRS 9</b>	<b>Original carrying amount under MFRS 139 RM'000</b>	<b>New carrying amount under MFRS 9 RM'000</b>
<u>General Takaful</u>					
Investment in:					
- Equity securities	(a)	AFS	FVTPL	13,694	13,694
- Unit trusts	(c)	AFS	FVTPL	10,064	10,064
- Institutional Trust Account	(d)	AFS	FVOCI	34,313	34,202
- Islamic debts securities	(d)	AFS	FVOCI	320,014	320,014
- Islamic debts securities	(e)	AFS	FVTPL	24,744	24,744
- Islamic debts securities	(f)	HTM	FVOCI	5,000	5,000
- Malaysian Government Islamic Papers	(f)	HTM	FVOCI	5,000	5,047
Retakaful assets	(i)	LAR	AC	294,137	294,137
Loans and receivables, excluding Takaful receivables	(i)	LAR	AC	87,839	87,839
Structured deposits classified as loan and receivables	(h)	LAR	FVTPL	29,000	28,134
Takaful receivables	(i)	LAR	AC	94,676	94,676
Cash and cash equivalents	(i)	LAR	AC	121,740	121,740
				<u>1,040,221</u>	<u>1,039,291</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(i) Classification of financial assets under MFRS 9 (continued)

<b>Financial assets</b>		<b>Original classification under MFRS 139</b>	<b>New classification under MFRS 9</b>	<b>Original carrying amount under MFRS 139 RM'000</b>	<b>New carrying amount under MFRS 9 RM'000</b>
<u>Group</u>					
Investment in:					
- Equity securities	(a)	AFS	FVTPL	191,048	191,048
- Equity securities	(b)	FVTPL	FVTPL	132,503	132,503
- Unit trusts	(c)	AFS	FVTPL	184,083	184,083
- Unit trusts	(b)	FVTPL	FVTPL	996	996
- Institutional Trust Account	(d)	AFS	FVOCI	251,051	250,238
- Islamic debts securities	(d)	AFS	FVOCI	3,069,549	3,069,549
- Islamic debts securities	(e)	AFS	FVTPL	205,661	205,661
- Islamic debts securities	(b)	FVTPL	FVTPL	91,290	91,290
- Islamic debts securities	(f)	HTM	FVOCI	374,205	377,150
- Islamic debts securities	(g)	HTM	FVTPL	82,325	86,379
- Malaysian Government Islamic Papers	(d)	AFS	FVOCI	218,952	218,952
- Malaysian Government Islamic Papers	(f)	HTM	FVOCI	59,994	60,565
Retakaful assets	(i)	LAR	AC	505,596	505,596
Loans and receivables, excluding Takaful receivables	(i)	LAR	AC	953,705	953,113
Structured deposits classified as loan and receivables	(h)	LAR	FVTPL	360,000	351,322
Takaful receivables	(i)	LAR	AC	172,117	170,425
Cash and cash equivalents	(i)	LAR	AC	921,180	921,180
				<u>7,774,255</u>	<u>7,770,050</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(i) Classification of financial assets under MFRS 9 (continued)

The initial application of MFRS 9 resulted in the reclassifications set out in the table above and explained below.

- (a) Investment in equity securities categorised as AFS under MFRS 139 are managed on fair value basis. These assets have been classified as mandatorily measured at FVTPL under MFRS 9;
- (b) Financial assets held for trading are continued to be measured at financial assets at FVTPL under MFRS 9;
- (c) Investment in unit trust and investment-linked funds categorised as AFS under MFRS 139 are managed on fair value basis. The Group has designated these instruments at the date of initial application as measured at FVTPL;
- (d) Institutional Trust Account, Islamic debt securities and Malaysian Government Islamic papers categorised as AFS under MFRS 139 are held by the Group to provide profit income, but may be withdrawn or sold to meet liquidity requirements arising in the normal course of business. The Group considers that these debt securities are held within a business model whose objective is achieved both by collecting contractual cash flows and by selling securities. These assets have therefore been classified as financial assets at FVOCI under MFRS 9.
- (e) Islamic debt securities categorised as AFS under MFRS 139 that failed to meet the "solely payments of principal and interest" (SPPI) requirement under MFRS 9 are classified as FVTPL;
- (f) Investments in debt securities and Malaysian Government Islamic papers classified as held to maturity under MFRS 139 are classified as FVOCI under MFRS 9;
- (g) Debt securities classified as held to maturity under MFRS 139 are classified as FVTPL under MFRS 9;
- (h) Structured deposits classified as loans and receivables under MFRS 139 failed to meet the SPPI requirements under MFRS 9. As a result, these instruments were classified as FVTPL from the date of initial application; and
- (i) Takaful receivables, retakaful receivables, financing receivables, fixed and call deposits and other receivables classified as loans and receivables under MFRS 139 are now classified as financial asset measured at amortised cost under MFRS 9.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(ii) Impairment of financial assets

MFRS 9 replaces the incurred loss model in MFRS 139 with an expected credit loss (“ECL”) model. This requires considerable judgement about how changes in economic factors affect ECLs which will be determined on a probability-weighted basis.

The new impairment model applies to financial assets measured at AC and FVOCI, but not to investments in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The calculation of ECL required the modelling of three parameters that define:

- Exposure at Default (“EAD”): The Group’s gross credit exposure to the counterparty at the time of default;
- Probability of Default (“PD”): The likelihood of the counterparty defaulting on its contractual obligation to the Group; and
- Loss Given Default (“LGD”): 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.

The Group has elected to measure the impairment losses for takaful receivables and other receivables at an amount equal to lifetime ECL.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(ii) Impairment of financial assets (continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and Islamic debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For Islamic debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

The following table summarised the effect of the application of MFRS 9's impairment requirements at 1 January 2018.

	<b>Takaful Operator RM'000</b>	<b>Family Takaful RM'000</b>	<b>General Takaful RM'000</b>	<b>Group RM'000</b>
<b>Loss allowance at 31 December 2017 under MFRS 139</b>	870	3,474	6,224	10,568
Additional impairment recognised at 1 January 2018 on:				
- Institutional Trust Account	119	582	111	812
- Islamic debt securities	534	2,884	679	4,097
- Fixed and call deposits	-	65	-	65
- Other receivables	-	527	-	527
- Takaful receivables	-	1,692	-	1,692
<b>Loss allowance at 1 January 2018 under MFRS 9</b>	<b>1,523</b>	<b>9,224</b>	<b>7,014</b>	<b>17,761</b>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(iii) Classification of financial liabilities

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

(iv) Transition upon the adoption of MFRS 9

Changes in accounting policies resulting from the adoption of MFRS 9 will generally be applied retrospectively, except as described below:

- (a) The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 will generally be recognised in retained earnings and reserves as at 1 January 2018.
- (b) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
- The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

The following table summarises the impact, net of tax, of transition of MFRS 9 on the Group's equity at 1 January 2018.

	<b>Group RM'000</b>
<b>Fair value reserves</b>	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	(10,837)
Recognition of credit impairment losses under MFRS 9 for Islamic debt securities at FVOCI	534
Related tax	2,600
<b>Impact at 1 January 2018</b>	<b>(7,703)</b>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**1 Basis of Preparation (continued)**

**MFRS 9, *Financial Instruments* (continued)**

(vi) Transition upon the adoption of MFRS 9 (continued)

	<b>Group RM'000</b>
<b>Retained profit</b>	
Reclassification of fair value gain from financial assets designated at FVTPL under MFRS 9	10,837
Recognition of fair value loss from financial assets designated at FVTPL under MFRS 9	(370)
Recognition of credit impairment losses under MFRS 9	(653)
Adjustment of the deficits transferred from Takaful funds arising from the initial application of MFRS 9	(5,030)
Related tax	(1,210)
<b>Impact at 1 January 2018</b>	<u>3,574</u>
<b>Non-controlling interest</b>	
Recognition of fair value loss from financial assets designated at FVTPL under MFRS 9	169
<b>Impact at 1 January 2018</b>	<u>169</u>

**2 Auditors' Report**

The auditors' report on the audited financial statements of the preceding year ended 31 December 2017 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 2018.

**5 Estimates**

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

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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 18 December 2017 declared an interim single tier dividend of 15.00 sen per ordinary share in respect of the financial year ended 31 December 2017 which was paid on 19 January 2018.

No dividend was declared for the current quarter under review.

**8 Segmental Reporting**

**Geographical Segments**

	<b>Malaysia RM'000</b>	<b>Indonesia RM'000</b>	<b>Consolidated RM'000</b>
<b>9 months ended 30 September 2018</b>			
Revenue from external participants	1,835,633	101,925	1,937,558
Profit/(loss) before zakat and taxation	239,399	(5,223)	234,176
<b>As at 30 September 2018</b>			
Segment assets by location of assets	8,199,298	474,520	8,673,818
Segment liabilities by location of liabilities	7,221,556	415,575	7,637,131
<b>9 months ended 30 September 2017</b>			
Revenue from external participants	1,509,940	111,481	1,621,421
Profit before zakat and taxation	197,605	30	197,635
<b>As at 30 September 2017</b>			
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

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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 2017.

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

There was 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 2017.

**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**

	3 months ended			9 months ended		
	30.9.2018	30.9.2017	Changes	30.9.2018	30.9.2017	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	648,951	476,242	36%	1,937,558	1,621,421	19%
Gross earned contributions	613,964	443,284	39%	1,630,737	1,361,187	20%
Profit before zakat and tax	87,799	66,017	33%	234,176	197,635	18%
Profit after zakat and tax	82,782	48,206	72%	202,499	149,397	36%
Profit attributable to owners of the Company	83,957	48,571	73%	204,353	150,395	36%

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**14 Review of Performance (continued)**

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

**Operating revenue**

The Group recorded operating revenue of RM1,937.6 million for the financial period ended 30 September 2018, an increase of 19% or RM316.1 million as compared to the same period last 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 9 months period ended 30 September 2018, the Group recorded profit before zakat and taxation of RM234.2 million, increased by 18% as compared to RM197.6 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from our business growth in the Family and General Takaful business, partially offset by fair value losses.

**Family Takaful**

Family Takaful business generated gross earned contributions of RM1,110.9 million for the 9 months period ended 30 September 2018, increased by 17%, as compared to RM948.0 million in the corresponding period last year. The increase is mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business increased by 13% to RM585.2 million in the 9 months period ended 30 September 2018 from RM519.6 million in the same period of the preceding year. This was mainly due to higher death and medical claims.

Investment income for the Family Takaful business increased by 5% to RM186.8 million as compared to RM178.6 million in the corresponding period last year, mainly due to higher profit from Islamic debts securities.

For the 9 months period ended 30 September 2018, Family Takaful recorded fair value losses of RM43.4 million, increased by RM25.5 million as compared to the same period last year. The higher losses were mainly due to the equity market performance.

**General Takaful**

General Takaful business generated gross earned contributions of RM519.7 million for the 9 months period ended 30 September 2018, increased by 26% as compared to RM413.1 million in the corresponding period last year. The growth was mainly from fire and motor classes.

The net benefits and claims for General Takaful business increased by 29% to RM159.4 million in the 9 months period ended 30 September 2018 from RM123.5 million in the same period of the preceding year, mainly due to increase in claims relating to fire and motor classes.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**14 Review of Performance (continued)**

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

**General Takaful (continued)**

The investment income for the 9 months period ended 30 September 2018 was RM21.1 million, decreased by 4%, as compared to the investment income in the same period of the preceding year of RM22.0 million, mainly due to lower profit from Islamic debts securities and dividend income.

For the 9 months period ended 30 September 2018, General Takaful recorded fair value losses of RM2.2 million, increased by RM2.2 million as compared to the same period last year. The higher losses were mainly due to the equity market performance.

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

**Operating revenue**

For the third quarter ended 30 September 2018, the Group generated Operating Revenue of RM649.0 million as compared to RM476.2 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated by Family and General Takaful business.

**Profit before zakat and tax**

For the current quarter under review, the Group recorded profit before zakat and taxation of RM87.8 million, increased by 33% as compared to RM66.0 million in the same period last year. The increase in profit was mainly attributable to increase in net wakalah fee income.

**Family Takaful**

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM436.7 million as compared to RM303.0 million in the same period last year. The increase is mainly attributable to higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM204.7 million, an increase of 37% as compared to the corresponding quarter of preceding year. The increase was mainly due to higher death and medical claims.

For the current quarter under review, Family Takaful business recorded investment income of RM65.4 million, as compared to RM59.5 million in the corresponding quarter last year, mainly due to higher profit from Islamic debts securities and dividend income.

For the current quarter under review, Family Takaful recorded fair value gains of RM10.8 million, increased by RM26.1 million as compared to fair value losses of RM15.3 million in the same period last year. The gains were mainly due to the improved equity market performance.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**14 Review of Performance (continued)**

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

**General Takaful**

For the current quarter under review, General Takaful business generated gross earned contributions of RM177.1 million, increased by 26%, as compared to RM140.3 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 RM48.8 million for the quarter under review, an increase of 10% 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 RM7.3 million, as compared to RM7.1 million in the corresponding quarter of preceding year, mainly due to higher profit from Islamic debts securities.

**14.3 Indonesian Operations**

The operating revenue of Indonesian operations decreased by 9% to RM101.9 million from RM111.5 million in the same period of the preceding year whilst, the gross earned contribution decreased by 12% to RM87.7 million compared to RM100.1 million in the same period of preceding year.

The Indonesian operations recorded loss before zakat and tax of RM5.2 million for the 9 months period ended 30 September 2018 as compared to profit before zakat and tax of RM0.03 million in the same period of preceding year. The lower result was mainly due to higher expense reserves. 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.

**14.3 Review of Statements of Financial Position**

As at 30 September 2018, total assets increased by RM479.2 million to RM8,673.8 million as compared to RM8,194.6 million as at 31 December 2017, mainly attributable to the increase in investment in equity and sukuk.

Total liabilities increased by RM276.0 million to RM7,637.1 million as compared to RM7,361.1 million as at 31 December 2017, mainly attributable to the increase in takaful contract liabilities by RM346.4 million, offset by payment of interim dividends of RM123.5 million. The increase in takaful contract liabilities from RM6,709.5 million as at 31 December 2017 to RM7,055.9 million as at 30 September 2018 was in line with the Company's business growth.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**14 Review of Performance (continued)**

**14.3 Review of Statements of Financial Position (continued)**

Shareholders' equity increased by RM203.2 million to RM1,036.7 million as at 30 September 2018. This is mainly attributed to the increase in distributable retained earnings of RM204.2 million.

**14.4 Review of Statements of Cash flows**

For the 9 months period ended 30 September 2018, the Group's cash flow position of RM802.4 million is healthy and sufficient to meet its obligation.

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

	<b>Current Quarter 30.9.2018 RM'000</b>	<b>Immediate Preceding Quarter 31.6.2018 RM'000</b>	<b>Changes %</b>
Operating revenue	648,951	542,433	20%
Gross earned contributions	613,964	510,498	20%
Profit before zakat and tax	87,799	61,436	43%
Profit after zakat and tax	82,782	49,959	66%
Profit attributable to owners of the Company	83,957	50,420	67%

**Operating revenue**

For the current quarter under review, the Group generated Operating Revenue of RM649.0 million as compared to RM542.4 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from Family Takaful and General Takaful business.

**Profit before zakat and tax**

For the current quarter under review, the Group recorded profit before zakat and taxation of RM87.8 million, higher by 43% as compared to the immediate preceding quarter of RM61.4 million. The increase in profit was mainly attributable to lower net wakalah fee income.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

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

**Family Takaful**

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM436.7 million, increased by 25%, as compared to RM350.2 million in the immediate preceding quarter. The increase was mainly attributable to higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM204.7 million, increased by 21% as compared to the immediate preceding quarter. The increase was mainly due to higher death claims.

For the current quarter under review, Family Takaful business recorded investment income of RM65.4 million, increased by 6% as compared to RM61.7 million in the immediate preceding quarter. The increase was mainly attributable to higher profit from Islamic debts securities.

For the current quarter under review, Family Takaful recorded fair value gains of RM10.8 million, increased by RM61.7 million as compared to immediate preceding quarter. The higher gains were mainly due to the improved equity market performance.

**General Takaful**

For the current quarter under review, General Takaful business generated gross earned contributions of RM177.1 million, increased by 10%, as compared to RM160.3 million in the immediate preceding quarter. The increase was mainly attributable to fire and motor classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM48.8 million, a decrease of 18% as compared to the immediate preceding quarter. The increase was mainly due to lower in claims relating to motor and commercial classes.

For the current quarter under review, General Takaful business recorded investment income of RM7.3 million for the quarter under review, increase by 7%, as compared to RM6.9 million in the immediate preceding quarter, mainly attributable to higher profit from Islamic debts securities.

For the current current quarter under review, General Takaful recorded fair value gains of RM0.5 million, increased by RM2.9 million as compared to immediate preceding quarter. The higher gains were mainly due to improved equity market performance.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**16 Current Year Prospects**

Takaful Malaysia in 2018 will remain focused on sustaining its position as the market leader in the Family Takaful business whilst expanding its market share in the General Takaful business to establish a strong foothold in the industry. The Company will continue to enhance its digital capability to increase its product and service accessibility to the consumers by intensifying its online marketing initiatives. The Company will also embark on multiple digital initiatives to further develop 'customer centric' value propositions to remain competitive in the industry. The Company will carry out its key initiatives, including an active management strategy as well as prudent investment and underwriting activities to deliver sustainable results for its shareholders and promote financial security to its customers. Takaful Malaysia will continue to emphasize the four core areas of customer reach, operational agility, cost competitiveness and stakeholder confidence to firmly establish the Company as the preferred choice for insurance amongst 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.

**18 Taxation**

The effective rate of taxation is lower than the statutory tax rate for the current financial period in accordance with the Income Tax Act 1967 due to the lower taxable income.

	3 months ended		Cumulative 9 months ended	
	30.9.2018	30.9.2017	30.9.2018	30.9.2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Current financial period	13,852	14,174	43,651	39,010
- Under provision in prior year	(7,613)	(3,035)	(7,613)	(394)
Deferred tax benefits:				
- Current financial period	(1,525)	6,497	(5,059)	9,090
Total tax expense	<u>4,714</u>	<u>17,636</u>	<u>30,979</u>	<u>47,706</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. 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.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**18 Taxation (continued)**

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 case has fixed for hearing on 1<sup>st</sup> and 2<sup>nd</sup> September 2021.

**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 2018.

**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.

	<b>3 months ended</b>		<b>Cumulative 9 months ended</b>	
	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
Owners of the Company (RM'000)	83,957	48,571	204,353	150,395
Weighted average number of ordinary shares in issue ('000)	824,219	822,388	823,675	822,388
<b>Basic EPS</b> (sen)	10.19	5.90	24.81	18.29

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**22 Earnings per Share (continued)**

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:

		<b>3 months ended</b>		<b>Cumulative 9 months ended</b>	
		<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
Owners of the Company (RM'000)		<u>83,957</u>	<u>48,571</u>	<u>204,353</u>	<u>150,395</u>
Weighted average number of ordinary shares in issue ('000)		824,219	822,388	823,675	822,388
Effects of dilution ('000)		<u>3,158</u>	<u>2,591</u>	<u>3,158</u>	<u>2,591</u>
Diluted weighted average number of ordinary shares in issue ('000)		<u>827,377</u>	<u>824,979</u>	<u>826,833</u>	<u>824,979</u>
<b>Diluted EPS</b>	(sen)	<u>10.15</u>	<u>5.88</u>	<u>24.72</u>	<u>18.23</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**23 Takaful Contract Liabilities**

The takaful contract liabilities consist of the following:

	30 September 2018			31 December 2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Family Takaful Fund</b>						
Provision for claims reported by participants	19,869	(2,395)	17,474	28,171	(4,664)	23,507
Provision for IBNR	136,614	(34,478)	102,136	119,775	(27,311)	92,464
Provision for outstanding claims	156,483	(36,873)	119,610	147,946	(31,975)	115,971
Actuarial liabilities	4,914,523	(163,024)	4,751,499	4,755,894	(179,484)	4,576,410
Unallocated surplus	740,817	-	740,817	813,001	-	813,001
Fair value reserves	24,797	-	24,797	-	-	-
AFS reserves	-	-	-	(25,006)	-	(25,006)
Translation reserves	-	-	-	(1,565)	-	(1,565)
Net asset value attributable to unitholders	225,039	-	225,039	121,072	-	121,072
Participants' fund	5,905,176	(163,024)	5,742,152	5,663,396	(179,484)	5,483,912
	6,061,659	(199,897)	5,861,762	5,811,342	(211,459)	5,599,883

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**23 Takaful Contract Liabilities (continued)**

	30 September 2018			31 December 2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>General Takaful Fund</b>						
Provision for claims reported by participants	272,690	(172,746)	99,944	224,950	(139,243)	85,707
Provision for IBNR	210,736	(99,940)	110,796	172,238	(83,586)	88,652
Provision for outstanding claims	483,426	(272,686)	210,740	397,188	(222,829)	174,359
Provision for unearned contributions	372,872	(66,530)	306,342	341,975	(71,308)	270,667
	856,298	(339,216)	517,082	739,163	(294,137)	445,026
Unallocated surplus	174,111	-	174,111	200,165	-	200,165
Fair value reserves	2,386	-	2,386	-	-	-
AFS reserves	-	-	-	(2,462)	-	(2,462)
Participants' fund	176,497	-	176,497	197,703	-	197,703
	1,032,795	(339,216)	693,579	936,866	(294,137)	642,729

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**23 Takaful Contract Liabilities (continued)**

	30 September 2018			31 December 2017		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Group</b>						
Provision for claims reported by participants	292,559	(175,141)	117,418	253,121	(143,907)	109,214
Provision for IBNR	347,350	(134,418)	212,932	292,013	(110,897)	181,116
Provision for outstanding claims	639,909	(309,559)	330,350	545,134	(254,804)	290,330
Provision for unearned contributions	372,872	(66,530)	306,342	341,975	(71,308)	270,667
	<u>1,012,781</u>	<u>(376,089)</u>	<u>636,692</u>	<u>887,109</u>	<u>(326,112)</u>	<u>560,997</u>
Actuarial liabilities	4,914,523	(163,024)	4,751,499	4,755,894	(179,484)	4,576,410
Unallocated surplus	914,928	-	914,928	1,013,166	-	1,013,166
Fair value reserves	27,183	-	27,183	-	-	-
AFS reserves	-	-	-	(27,468)	-	(27,468)
Translation reserves	-	-	-	(1,565)	-	(1,565)
Net asset value attributable to unitholders	186,487	-	186,487	82,376	-	82,376
Participants' fund	<u>6,043,121</u>	<u>(163,024)</u>	<u>5,880,097</u>	<u>5,822,403</u>	<u>(179,484)</u>	<u>5,642,919</u>
	<u>7,055,902</u>	<u>(539,113)</u>	<u>6,516,789</u>	<u>6,709,512</u>	<u>(505,596)</u>	<u>6,203,916</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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
<b>At 1 January 2017</b>	5,336,810	(144,096)	5,192,714	237,739	-	237,739	5,537,533	(144,096)	5,393,437
Net earned contributions	1,264,496	(56,178)	1,208,318	312,846	-	312,846	1,577,342	(56,178)	1,521,164
Investment income	241,969	-	241,969	29,334	-	29,334	271,303	-	271,303
Realised gains and (losses)	19,165	-	19,165	2,247	-	2,247	21,412	-	21,412
Fair value gains and (losses)	(2,328)	-	(2,328)	630	-	630	(1,698)	-	(1,698)
Other operating income	2,345	-	2,345	165	-	165	2,510	-	2,510
Net benefits and claims	(736,539)	64,009	(672,530)	(145,965)	-	(145,965)	(882,504)	64,009	(818,495)
Fees deducted (net)	(360,637)	-	(360,637)	(188,598)	-	(188,598)	(549,235)	-	(549,235)
Other operating expenses	(10,667)	-	(10,667)	(5,043)	-	(5,043)	(15,710)	-	(15,710)
Profit paid to participants	(8,451)	-	(8,451)	(20,998)	-	(20,998)	(29,449)	-	(29,449)
Excess payment transferred to participants	926	-	926	-	-	-	926	-	926
Increase in actuarial liabilities	18,878	(37,319)	(18,441)	-	-	-	18,878	(37,319)	(18,441)
Profit attributable to the Takaful Operator	(55,907)	(7,831)	(63,738)	(17,254)	-	(17,254)	(74,841)	(7,831)	(82,672)
Change in AFS reserve	23,667	-	23,667	3,549	-	3,549	27,216	-	27,216
Withholding tax	(22,779)	-	(22,779)	(3,145)	-	(3,145)	(25,924)	-	(25,924)
Disposal of a subsidiary	-	-	-	(6,737)	-	(6,737)	(6,737)	-	(6,737)
Effect of movement in exchange rates	(47,552)	1,931	(45,621)	(1,067)	-	(1,067)	(48,619)	1,931	(46,688)
<b>At 31 December 2017</b>	<b>5,663,396</b>	<b>(179,484)</b>	<b>5,483,912</b>	<b>197,703</b>	<b>-</b>	<b>197,703</b>	<b>5,822,403</b>	<b>(179,484)</b>	<b>5,642,919</b>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
(formerly known as Syarikat Takaful Malaysia Berhad)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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
<b>At 31 December 2017, as previously stated</b>	5,663,396	(179,484)	5,483,912	197,703	-	197,703	5,822,403	(179,484)	5,642,919
Adjustment on initial application of MFRS 9	1,741	-	1,741	(70)	-	(70)	1,671	-	1,671
<b>Adjusted balances at 1 January 2018</b>	5,665,137	(179,484)	5,485,653	197,633	-	197,633	5,824,074	(179,484)	5,644,590
Net earned contributions	1,110,883	(59,157)	1,051,726	330,090	-	330,090	1,440,973	(59,157)	1,381,816
Investment income	186,810	-	186,810	21,060	-	21,060	207,870	-	207,870
Realised gains and (losses)	1,870	-	1,870	47	-	47	1,917	-	1,917
Fair value gains and (losses)	(42,357)	-	(42,357)	(2,181)	-	(2,181)	(44,538)	-	(44,538)
Other operating income	-	-	-	1,691	-	1,691	1,691	-	1,691
Net benefits and claims	(631,837)	46,676	(585,161)	(159,389)	-	(159,389)	(791,226)	46,676	(744,550)
Fees deducted (net)	(359,923)	-	(359,923)	(192,319)	-	(192,319)	(552,242)	-	(552,242)
Other operating expenses	(3,054)	-	(3,054)	(368)	-	(368)	(3,422)	-	(3,422)
Profit paid to participants	(2,644)	-	(2,644)	(18,019)	-	(18,019)	(20,663)	-	(20,663)
Increase in actuarial liabilities	33,792	14,968	48,760	-	-	-	33,792	14,968	48,760
Profit attributable to the Takaful Operator	(53,928)	12,481	(41,447)	(4,815)	-	(4,815)	(58,599)	12,481	(46,118)
Net change in fair value on debts investment at FVOCI	36,454	-	36,454	3,427	-	3,427	39,881	-	39,881
Withholding tax	(4,905)	-	(4,905)	(360)	-	(360)	(5,265)	-	(5,265)
Effect of movement in exchange rates	(31,122)	1,492	(29,630)	-	-	-	(31,122)	1,492	(29,630)
<b>At 31 September 2018</b>	<b>5,905,176</b>	<b>(163,024)</b>	<b>5,742,152</b>	<b>176,497</b>	<b>-</b>	<b>176,497</b>	<b>6,043,121</b>	<b>(163,024)</b>	<b>5,880,097</b>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**24 Takaful Operator Income**

The takaful operator income consists of the following:

	3 months ended		Cumulative 9 months ended	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Surplus transfer from:				
Family Takaful Fund	18,349	13,364	41,447	43,767
General Takaful Fund	-	4,293	4,815	13,562
Wakalah fee income	215,481	146,695	612,697	477,823
Total Takaful Operator income	<u>233,830</u>	<u>164,352</u>	<u>658,959</u>	<u>535,152</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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Rental income	198	203	2,284	2,214	46	197	1,219	1,224
Dividend income	449	307	2,934	1,662	180	117	3,563	2,086
Profit income	11,420	10,182	62,217	57,748	7,522	7,147	81,159	75,077
Accretion / (Amortisation)	(175)	(236)	(1,461)	(1,576)	(322)	(311)	(1,958)	(2,123)
Investment expenses	(84)	(22)	(598)	(539)	(94)	(70)	(730)	(555)
	<u>11,808</u>	<u>10,434</u>	<u>65,376</u>	<u>59,509</u>	<u>7,332</u>	<u>7,080</u>	<u>83,253</u>	<u>75,709</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**25 Investment Income (continued)**

The investment income consists of the following (continued):

	<b>Takaful Operator</b>		<b>Family Takaful Fund</b>		<b>General Takaful Fund</b>		<b>Group</b>	
	<b>9 months ended</b>		<b>9 months ended</b>		<b>9 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Rental income	601	597	6,057	6,578	223	577	2,989	3,527
Dividend income	834	1,234	7,634	8,654	381	739	8,849	10,627
Profit income	32,197	27,409	179,124	169,297	21,530	21,714	232,851	218,420
Accretion / (Amortisation)	(617)	(777)	(4,451)	(4,426)	(966)	(908)	(6,034)	(6,111)
Investment expenses	(113)	(45)	(1,554)	(1,482)	(108)	(90)	(1,706)	(1,266)
	<u>32,902</u>	<u>28,418</u>	<u>186,810</u>	<u>178,621</u>	<u>21,060</u>	<u>22,032</u>	<u>236,949</u>	<u>225,197</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Service charged and management fee	2,980	4,252	-	-	-	-	-	9
Writeback of allowance for impaired financing	-	217	-	-	-	-	-	217
Writeback of allowance for impaired debts	-	-	-	1,273	1,223	-	1,223	1,273
Writeback of credit impairment losses	13	-	-	-	-	-	-	-
Gain from foreign exchange	-	-	-	-	5	-	5	-
Gain on disposal of assets	2	53	-	-	-	-	2	53
Other income	121	157	-	1,154	8	-	84	1,316
	<u>3,116</u>	<u>4,679</u>	<u>-</u>	<u>2,427</u>	<u>1,236</u>	<u>-</u>	<u>1,314</u>	<u>2,868</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Service charged and management fee	8,679	9,258	-	-	-	-	-	9
Writeback of allowance for impaired financing	2	236	-	-	-	-	2	236
Writeback of allowance for impaired debts	-	-	-	1,389	1,387	1,062	1,387	2,451
Writeback of credit impairment losses	-	-	-	-	-	-	-	-
Gain on disposal of assets	4	102	-	-	-	-	4	102
Gain from foreign exchange	-	-	-	-	-	6	-	6
Other income	649	623	-	1,219	304	140	954	1,982
	<u>9,334</u>	<u>10,219</u>	<u>-</u>	<u>2,608</u>	<u>1,691</u>	<u>1,208</u>	<u>2,347</u>	<u>4,786</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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	
	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000	30.9.2018 RM'000	30.9.2017 RM'000
Depreciation	(2,457)	(2,724)	-	-	-	-	(4,162)	(4,332)
Impairment losses	-	(528)	(284)	(3,623)	(3)	(167)	(274)	(4,318)
Administration fees	(48,793)	(34,687)	-	-	-	-	(48,793)	(34,687)
Agency related expenses	288	(1,928)	-	-	-	-	288	(1,928)
Allowance for impaired debts	-	-	(1,732)	-	-	(493)	(1,732)	(493)
Debts written off	-	-	-	(31)	-	-	-	(31)
Loss from foreign exchange	-	-	-	-	-	(2)	-	(2)
Other expenses	(99)	(308)	(814)	(128)	(177)	(2,053)	(405)	-
	<u>(51,061)</u>	<u>(40,175)</u>	<u>(2,830)</u>	<u>(3,782)</u>	<u>(180)</u>	<u>(2,715)</u>	<u>(55,078)</u>	<u>(45,791)</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**27 Other Operating Expenses**

The other operating expenses consist of the following:

	<b>Takaful Operator</b>		<b>Family Takaful Fund</b>		<b>General Takaful Fund</b>		<b>Group</b>	
	<b>9 months ended</b>		<b>9 months ended</b>		<b>9 months ended</b>		<b>9 months ended</b>	
	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>	<b>30.9.2018</b>	<b>30.9.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Depreciation	(8,365)	(8,287)	-	-	-	-	(13,517)	(13,155)
Impairment losses	(11)	(620)	(87)	(4,283)	(24)	(730)	(122)	(5,633)
Administration fees	(135,127)	(109,694)	-	-	-	-	(135,127)	(109,694)
Agency related expenses	(7,536)	(6,553)	-	-	-	-	(7,536)	(6,553)
Allowance for impaired debts	-	-	(563)	-	-	-	(563)	-
Debts written off	-	-	(280)	(681)	-	-	(280)	(681)
Loss from foreign exchange	-	-	-	-	(4)	-	(4)	-
Other expenses	(430)	(665)	(2,124)	(2,351)	(340)	(2,082)	(835)	(1,324)
	<u>(151,469)</u>	<u>(125,819)</u>	<u>(3,054)</u>	<u>(7,315)</u>	<u>(368)</u>	<u>(2,812)</u>	<u>(157,984)</u>	<u>(137,040)</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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		
<b>30 September 2018</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	27,104	-	-	27,104	-	-	-	-	27,104	27,104
Unit trusts	6,094	6,392	-	12,486	-	-	-	-	12,486	12,486
Institutional Trust Account	-	-	54,704	54,704	-	-	-	-	54,704	54,704
Islamic debt securities	86,520	331,305	-	417,825	-	-	-	-	417,825	417,825
Malaysian Government										
Islamic papers	-	5,110	-	5,110	-	-	-	-	5,110	5,110
Structured deposits	-	45,041	-	45,041	-	-	-	-	38,552	38,552
Investment in linked funds	38,552	-	-	38,552	-	-	-	-	45,041	45,041
	158,270	387,848	54,704	600,822	-	-	-	-	600,822	600,822

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**28 Fair Value Information (continued)**

The table below analyses financial instruments carried at fair value by their valuation method (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		
<b>30 September 2018</b>										
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	332,409	-	-	332,409	-	-	-	-	332,409	332,409
Unit trusts	78,252	31,032	-	109,284	-	-	-	-	109,284	109,284
Institutional Trust Account	-	-	216,792	216,792	-	-	-	-	216,792	216,792
Islamic debt securities	122,839	3,013,770	-	3,136,609	-	-	-	-	3,136,609	3,136,609
Malaysian Government										
Islamic papers	-	269,053	-	269,053	-	-	-	-	269,053	269,053
Structured deposits	-	249,480	-	249,480	-	-	-	-	249,480	249,480
	533,500	3,563,335	216,792	4,313,627	-	-	-	-	4,313,627	4,313,627

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**28 Fair Value Information (continued)**

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

30 September 2018	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		
<b>General Takaful</b>										
Equity securities	12,841	-	-	12,841	-	-	-	-	12,841	12,841
Unit trusts	3,581	-	-	3,581	-	-	-	-	3,581	3,581
Institutional Trust Account	-	-	42,266	42,266	-	-	-	-	42,266	42,266
Islamic debt securities Malaysian Government	-	342,233	-	342,233	-	-	-	-	342,233	342,233
Islamic papers	-	20,348	-	20,348	-	-	-	-	20,348	20,348
Structured deposits	-	26,863	-	26,863	-	-	-	-	26,863	26,863
	16,422	389,444	42,266	448,132	-	-	-	-	448,132	448,132
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	372,354	-	-	372,354	-	-	-	-	372,354	372,354
Unit trusts	87,927	37,424	-	125,351	-	-	-	-	125,351	125,351
Institutional Trust Account	-	-	313,762	313,762	-	-	-	-	313,762	313,762
Islamic debt securities Malaysian Government	209,359	3,687,308	-	3,896,667	-	-	-	-	3,896,667	3,896,667
Islamic papers	-	294,511	-	294,511	-	-	-	-	294,511	294,511
Structured deposits	-	321,384	-	321,384	-	-	-	-	321,384	321,384
	669,640	4,340,627	313,762	5,324,029	-	-	-	-	5,324,029	5,324,029

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**28 Fair Value Information (continued)**

The table below analyses financial instruments carried at fair value by their valuation method (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		
<b>31 December 2017</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	20,336	-	-	20,336	-	-	-	-	20,336	20,336
Unit trusts	12,873	7,517	-	20,390	-	-	-	-	20,390	20,390
Institutional Trust Account	-	-	37,032	37,032	-	-	-	-	37,032	37,032
Islamic debt securities	4,255	446,354	-	450,609	10,703	-	-	10,703	461,312	460,643
Investment in linked funds	38,696	-	-	38,696	-	-	-	-	38,696	38,696
	<b>76,160</b>	<b>453,871</b>	<b>37,032</b>	<b>567,063</b>	<b>10,703</b>	<b>-</b>	<b>-</b>	<b>10,703</b>	<b>577,766</b>	<b>577,097</b>
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	289,141	-	-	289,141	-	-	-	-	289,141	289,141
Unit trusts	125,865	28,760	-	154,625	-	-	-	-	154,625	154,625
Institutional Trust Account	-	-	179,706	179,706	-	-	-	-	179,706	179,706
Islamic debt securities	55,745	2,515,388	-	2,571,133	75,676	372,150	-	447,826	3,018,959	3,012,629
Malaysian Government Islamic papers	-	218,952	-	218,952	-	55,518	-	55,518	274,470	273,946
	<b>470,751</b>	<b>2,763,100</b>	<b>179,706</b>	<b>3,413,557</b>	<b>75,676</b>	<b>427,668</b>	<b>-</b>	<b>503,344</b>	<b>3,916,901</b>	<b>3,910,047</b>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
(formerly known as Syarikat Takaful Malaysia Berhad)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**28 Fair Value Information (continued)**

The table below analyses financial instruments carried at fair value by their valuation method (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		
<b>31 December 2017</b>										
<b>General Takaful</b>										
Equity securities	13,694	-	-	13,694	-	-	-	-	13,694	13,694
Unit trusts	10,064	-	-	10,064	-	-	-	-	10,064	10,064
Institutional Trust Account	-	-	34,313	34,313	-	-	-	-	34,313	34,313
Islamic debt securities	-	344,758	-	344,758	-	5,000	-	5,000	349,758	349,758
Malaysian Government Islamic papers	-	-	-	-	-	5,047	-	5,047	5,047	5,000
	<b>23,758</b>	<b>344,758</b>	<b>34,313</b>	<b>402,829</b>	<b>-</b>	<b>10,047</b>	<b>-</b>	<b>10,047</b>	<b>412,876</b>	<b>412,829</b>
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	323,171	-	-	323,171	-	-	-	-	323,171	323,171
Unit trusts	148,802	36,277	-	185,079	-	-	-	-	185,079	185,079
Institutional Trust Account	-	-	251,051	251,051	-	-	-	-	251,051	251,051
Islamic debt securities	60,000	3,306,500	-	3,366,500	86,379	377,150	-	463,529	3,830,029	3,823,030
Malaysian Government Islamic papers	-	218,952	-	218,952	-	60,565	-	60,565	279,517	278,946
	<b>531,973</b>	<b>3,561,729</b>	<b>251,051</b>	<b>4,344,753</b>	<b>86,379</b>	<b>437,715</b>	<b>-</b>	<b>524,094</b>	<b>4,868,847</b>	<b>4,861,277</b>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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 KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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:

	<b>Takaful Operator RM'000</b>	<b>Family Takaful RM'000</b>	<b>General Takaful RM'000</b>	<b>Group RM'000</b>
At 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 recognised in profit or loss				
Investment income - realised	1,503	7,876	1,560	10,939
At 31 December 2017, as previously stated	37,032	179,706	34,313	251,051
Adjustment of initial application of MFRS 9	(120)	(582)	(111)	(813)
Adjusted balances at 1 January 2018	36,912	179,124	34,202	250,238
Purchases	15,000	27,000	6,000	48,000
Gains recognised in profit or loss				
Investment income - realised	1,658	6,627	1,329	9,614
Gains recognised in other comprehensive income				
Net change in fair value (unrealized)	1,134	4,041	735	5,910
At 30 September 2018	54,704	216,792	42,266	313,762

**29 Additional Information**

**Takaful receivables**

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

	<b>Family Takaful</b>		<b>General Takaful</b>		<b>Group</b>	
	<b>30.9.2018 RM'000</b>	<b>31.12.2017 RM'000</b>	<b>30.9.2018 RM'000</b>	<b>31.12.2017 RM'000</b>	<b>30.9.2018 RM'000</b>	<b>31.12.2017 RM'000</b>
<u>Days past due</u>						
Current (not past due)	99,428	72,439	66,687	91,392	166,115	163,831
1-30 days	13,295	1,521	102	1,687	13,397	3,208
31-60 days	693	165	138	544	831	709
61-90 days	104	81	1,254	492	1,358	573
91-180 days	21,108	2,845	97	2,850	21,205	5,695
> 180 days	3,584	1,835	3,240	3,554	6,824	5,389
	138,212	78,886	71,518	100,519	209,730	179,405

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**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.

	<b>Family Takaful</b>		<b>General Takaful</b>		<b>Group</b>	
	<b>30.9.2018</b>	<b>31.12.2017</b>	<b>30.9.2018</b>	<b>31.12.2017</b>	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Bank Islam Malaysia berhad	164	135	2,369	825	2,533	960

During the period, with the implementation of the MFRS 9, the Group has elected to measure the impairment losses for takaful receivables at an amount equal to lifetime ECL. The ECL were calculated based on actual credit loss experience over the past five years. The Group considers the model and some of the assumptions used in calculating these ECL as key sources of estimation uncertainty. The Group performed the calculation of ECL rates separately for Family Takaful's customers and General Takaful's customers. Exposure within each group were segmented based on common credit risk characteristics such as type of products and payment frequency.

In previous year, under MFRS 139, 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 KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**29 Additional Information (continued)**

**Material Impairment of Assets**

At 1 January 2018, the Group adopted MFRS 9. MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at AC, debt investments at FVOCI, but not to investments in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures impairment losses at an amount equal to lifetime ECL, except for the following, which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debts securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

The impairment losses recognized in profit or loss under MFRS 9 is not significant to the Group.

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**29 Additional Information (continued)**

**Material Impairment of Assets (continued)**

In previous year, 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 under MFRS 139.

Under MFRS 139, 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.

The impairment losses recognized in profit or loss under MFRS 139 is not significant to the Group.

**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 Derivatives**

The Group and Company did not enter into any derivatives for the current quarter under review and for the financial period ended 30 September 2018.

**32 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 current quarter under review and financial period ended 30 September 2018.

**33 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 KELUARGA BERHAD**  
**(formerly known as Syarikat Takaful Malaysia Berhad)**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 2018**

**33 Regulatory capital requirements (continued)**

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

	<b>As at 30.9.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
Tier 1 capital	1,475,430	1,319,241
Tier 2 capital	27,370	5,628
Deductions	(250,090)	(126,712)
<b>Total capital available</b>	<b>1,252,710</b>	<b>1,198,157</b>

By Order of the Board

**MOHAMAD ASRI BIN YUSOFF**  
Company Secretary (MIA 14171)  
Kuala Lumpur, 25 October 2018