

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 MARCH 2019**

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 31 March 2019. 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 2018. 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 2018.

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 2018, except for the adoption of the following:

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

1 Basis of Preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases
- IC Interpretation 23, Uncertainty over Income Tax Treatments
- Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
- Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
- Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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 16, Leases

MFRS 16 replaces existing leases guidance, including MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Leases - Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Group and the Company are required to adopt MFRS 16 Leases from 1 January 2019. The Group and the Company have assessed the estimated impact that initial application of MFRS 16 will have on the consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group and the Company present their first financial statements that include the date of initial application.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

(i) Leases in which the Group and the Company are lessee

The Group and the Company will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group and the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

1 Basis of Preparation (continued)

MFRS 16, Leases (continued)

(i) Leases in which the Group and the Company are lessee (continued)

Previously, the Group and the Company recognised operating lease expense on a straight-line basis over the term of lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group and the Company adopted the MFRS 16 on 1 January 2019, using modified retrospective approach. The Group and the Company choose to measure the right-of-use asset equals to the lease liability at 1 January 2019 with no restatement of comparative information.

(ii) Leases in which the Group and the Company are lessor

No significant impact is expected for leases in which the Group and the Company are lessor.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2018 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 31 March 2019.

5 Estimates

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

6 Debt and Equity Securities

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

7 Dividends

The Directors on 11 December 2018 declared an interim single tier dividend of 15.00 sen per ordinary share in respect of the financial year ended 31 December 2018 which was paid on 11 January 2019.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
3 months ended 31 March 2019			
Revenue from external participants	883,052	35,107	918,159
Profit/(loss) before zakat and taxation	115,188	(1,875)	113,313
As at 31 March 2019			
Segment assets by location of assets	8,932,988	519,358	9,452,346
Segment liabilities by location of liabilities	8,013,298	457,395	8,334,774
3 months ended 31 March 2018			
Revenue from external participants	712,520	33,654	746,174
Profit before zakat and taxation	84,869	72	84,941
As at 31 March 2018			
Segment assets by location of assets	7,745,367	488,875	8,234,242
Segment liabilities by location of liabilities	6,912,883	424,815	7,337,698

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 2018.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

10 Material Events Subsequent to the End of the Period

On 3 April 2019, the Company allotted and issued 2,574,163 new ordinary shares of RM0.20 each pursuant to the Long-Term Incentive Plan ("LTIP").

Other than the above, there was no other 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 2018.

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		
	31.3.2019	31.3.2018	Changes
	RM'000	RM'000	%
Operating revenue	918,159	746,174	23%
Gross earned contributions	707,077	506,275	40%
Profit before zakat and tax	113,313	84,941	33%
Profit after zakat and tax	95,641	69,758	37%
Profit attributable to owners of the Company	96,443	69,976	38%

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

Operating revenue

The Group recorded operating revenue of RM918.2 million for the first quarter ended 31 March 2019, an increase of 23% or RM172.0 million as compared to the same period last year. The increase was mainly attributable to higher sales generated by Family Takaful business.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

14 Review of Performance (continued)

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

Profit before zakat and tax

For the first quarter ended 31 March 2019, the Group recorded profit before zakat and tax of RM113.3 million, increased by 33% as compared to RM84.9 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from business growth in the Family Takaful.

Family Takaful

Family Takaful business generated gross earned contributions of RM502.9 million for the first quarter ended 31 March 2019, increased by 55%, as compared to RM324.0 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 decreased by 3% to RM205.1 million in the first quarter ended 31 March 2019 from RM210.6 million in the same period of the preceding year. This was mainly due lower medical claims.

Investment income for the Family Takaful business increased by 11% to RM66.2 million as compared to RM59.7 million in the corresponding period last year, mainly due to higher profit from Islamic debt securities.

For the first quarter ended 31 March 2019, Family Takaful recorded fair value gains of RM20.5 million, increased by RM22.8 million as compared to the same period last year. The higher gain were mainly due to improvement in equity.

General Takaful

General Takaful business generated gross earned contributions of RM204.2 million for the first quarter ended 31 March 2019, increased by 12% as compared to RM182.4 million in the corresponding period last year. The growth was mainly from fire class.

The net benefits and claims for General Takaful business increased by 4% to RM53.3 million in the first quarter ended 31 March 2019 from RM 51.1 million in the same period of the preceding year, mainly due to increase in claims relating to motor class.

The investment income for the first quarter ended 31 March 2019 was RM7.8 million, increased by 14%, as compared to the investment income in the same period of the preceding year of RM6.8 million, mainly to higher profit from Islamic debts securities.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

14 Review of Performance (continued)

14.2 Indonesian Operations

The operating revenue of Indonesian operations increased by 4% to RM35.1 million from RM33.7 million in the same period of the preceding year whilst, the gross earned contribution increased by 2% to RM29.9 million compared to RM29.3million in the same period of preceding year.

The Indonesian operations recorded loss before zakat and tax of RM1.9 million for the first quarter ended 31 March 2019 as compared to breakeven results in the same period of preceding year. The lower result was mainly due to higher expense reserves and lower surplus transferred from Family Takaful Fund. 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 31 March 2019, total assets increased by RM520.7 million to RM9,452.3 million as compared to RM8,931.6 million as at 31 December 2018, mainly attributable to the increase in other investments, retakaful assets and Takaful receivables.

As compared to 31 December 2018, other investments increased from RM5,403.1 million to RM5,670.2 million as at 31 March 2019, mainly attributable to the increase in Islamic debts securities. The increase was mainly attributable to new purchases as well as gains in market value.

Retakaful assets increased from RM537.1 million to RM676.1 million mainly due to additional retakaful reserving.

Takaful receivables increased from RM139.1 million to RM277.9 million as of 31 March 2019. The increase was primarily driven by the growth in gross contributions from Family and General takaful business.

Total liabilities increased by RM415.4 million to RM8,334.8 million as compared to RM7,919.4 million as at 31 December 2018, mainly attributable to the increase in takaful contract liabilities by RM500.0 million. The increase in takaful contract liabilities from RM7,127.6 million as at 31 December 2018 to RM7,635.8 million as at 31 March 2019 was in line with the Company's business growth.

Shareholders' equity increased by RM105.4 million to RM1,117.6 million as at 31 March 2019. This is mainly attributed to the increase in distributable retained earnings of RM96.4 million.

14.4 Review of Statements of Cash flows

For the first quarter ended 31 March 2019, the Group's cash flow position of RM950.7 million is healthy and strong. The ratio of cash flow from operating activities to profit for the period was 73.3% which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.03.2019 RM'000	Immediate Preceding Quarter 31.12.2018 RM'000	Changes %
Operating revenue	918,159	701,507	31%
Gross earned contributions	707,077	663,597	7%
Profit before zakat and tax	113,313	102,828	10%
Profit after zakat and tax	95,641	90,118	6%
Profit attributable to owners of the Company	96,443	90,571	6%

Operating revenue

For the current quarter under review, the Group generated Operating Revenue of RM918.2 million as compared to RM707.1 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from 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 RM113.3 million, higher by 10% as compared to the immediate preceding quarter of RM102.8 million. The increase in profit was mainly attributable to higher net wakalah fee income.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM502.9 million, increased by 1%, as compared to RM497.6 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 RM205.1 million, decreased by 9% as compared to the immediate preceding quarter. The decrease was mainly due to lower medical claims.

For the current quarter under review, Family Takaful business recorded investment income of RM66.2 million, increased by 2% as compared to RM64.7million 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 RM20.5 million, increased by RM49.2 million as compared to fair value losses of RM28.7 million immediate preceding quarter. The higher gains were mainly due to the favorable equity market performance.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 MARCH 2019**

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

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM204.2 million, increased by 23%, as compared to RM166.0 million in the immediate preceding quarter. The increase was mainly from motor and commercial classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM53.3 million, an increase of 18% as compared to the immediate preceding quarter. The increase was mainly due to higher claims relating to fire, motor and commercial classes.

For the current quarter under review, General Takaful business recorded investment income of RM7.8 million for the quarter under review, increased by 2%, as compared to RM7.6 million in the immediate preceding quarter, mainly attributable to higher profit from Islamic debts securities.

For the current quarter under review, General Takaful recorded fair value gains of RM0.7 million, increased by RM1.3 million as compared to fair value losses of RM0.6 million immediate preceding quarter. The higher gains were mainly due to favorable performance of the structured deposit and unit trust.

16 Current Year Prospects

Despite business sentiments remaining cautious in 2019, the Takaful industry is expected to outperform the conventional insurers in view of the strong demand in the Takaful products. Takaful Malaysia is poised to further expand its market share in 2019. To sustain its market leading position, the company will continue with its innovative strategies via the implementation of its digital strategy, introduction of online solutions, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and Brand awareness initiatives. To support business growth and customer centricity, the company will continue its digital strategy to build the full digital ecosystem and to expand the business focus beyond credit-related business to reach out to the wide retail customer base of major partner banks.

It is the commitment of Takaful Malaysia to continue responding to the needs of customers with reliable and better protection solutions and services that they deserve to firmly establish the company as the preferred choice for insurance.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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	
	31.3.2019	31.3.2018
	RM'000	RM'000
Current tax expense:		
- Current financial period	19,270	18,200
Deferred tax benefits:		
- Current financial period	(1,932)	(3,195)
Total tax expense	<u>17,338</u>	<u>15,005</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.

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 1st and 2nd 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 31 March 2019.

21 Material Litigation

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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	
		31.3.2019	31.3.2018
Owners of the Company (RM'000)		<u>96,443</u>	<u>69,976</u>
Weighted average number of ordinary shares in issue	('000)	<u>824,219</u>	<u>823,146</u>
Basic EPS	(sen)	<u>11.70</u>	<u>8.50</u>

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	
		31.3.2019	31.3.2018
Owners of the Company (RM'000)		<u>96,443</u>	<u>69,976</u>
Weighted average number of ordinary shares in issue	('000)	<u>824,219</u>	<u>823,146</u>
Effects of dilution	('000)	<u>3,816</u>	<u>3,032</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>828,035</u>	<u>826,178</u>
Diluted EPS	(sen)	<u>11.65</u>	<u>8.47</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 March 2019			31 December 2018		
	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	27,652	(3,078)	24,574	27,361	(4,027)	23,334
Provision for IBNR	144,905	(36,925)	107,980	138,380	(34,477)	103,903
Provision for outstanding claims	172,557	(40,003)	132,554	165,741	(38,504)	127,237
Actuarial liabilities	5,243,979	(272,063)	4,971,916	5,020,886	(163,719)	4,857,167
Unallocated surplus	839,052	-	839,052	708,726	-	708,726
Fair value reserves	111,547	-	111,547	27,520	-	27,520
Translation reserves	-	-	-	-	-	-
Net asset value attributable to unitholders	228,012	-	228,012	224,724	-	224,724
Participants' fund	6,422,590	(272,063)	6,150,527	5,981,856	(163,719)	5,818,137
	6,595,147	(312,066)	6,283,081	6,147,597	(202,223)	5,945,374

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

23 Takaful Contract Liabilities (continued)

	31 March 2019			31 December 2018		
	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	285,739	(182,215)	103,524	267,294	(165,838)	101,456
Provision for IBNR	217,663	(101,467)	116,196	200,690	(92,192)	108,498
Provision for outstanding claims	503,402	(283,682)	219,720	467,984	(258,030)	209,954
Provision for unearned contributions	392,809	(80,306)	312,503	376,971	(76,884)	300,087
	896,211	(363,988)	532,223	844,955	(334,914)	510,041
Unallocated surplus	166,839	-	166,839	168,871	-	168,871
Fair value reserves	8,823	-	8,823	2,258	-	2,258
Participants' fund	175,662	-	175,662	171,129	-	171,129
	1,071,873	(363,988)	707,885	1,016,084	(334,914)	681,170

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

23 Takaful Contract Liabilities (continued)

	31 March 2019			31 December 2018		
	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	313,391	(185,293)	128,098	294,655	(169,865)	124,790
Provision for IBNR	362,568	(138,392)	224,176	339,070	(126,669)	212,401
Provision for outstanding claims	675,959	(323,685)	352,274	633,725	(296,534)	337,191
Provision for unearned contributions	392,809	(80,306)	312,503	376,971	(76,884)	300,087
	<u>1,068,768</u>	<u>(403,991)</u>	<u>664,777</u>	<u>1,010,696</u>	<u>(373,418)</u>	<u>637,278</u>
Actuarial liabilities	5,243,979	(272,063)	4,971,916	5,020,886	(163,719)	4,857,167
Unallocated surplus	1,005,891	-	1,005,891	887,597	-	877,597
Fair value reserves	120,370	-	120,370	29,778	-	29,778
Net asset value attributable to unitholders	191,597	-	191,597	188,621	-	188,621
Participants' fund	<u>6,561,837</u>	<u>(272,063)</u>	<u>6,289,774</u>	<u>6,116,882</u>	<u>(163,719)</u>	<u>5,953,163</u>
	<u>7,630,605</u>	<u>(676,054)</u>	<u>6,954,551</u>	<u>7,127,578</u>	<u>(537,137)</u>	<u>6,590,441</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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 2018	5,665,137	(179,484)	5,485,653	197,633	-	197,633	5,824,074	(179,484)	5,644,590
Net earned contributions	1,608,527	(90,408)	1,518,119	423,371	-	423,371	2,031,898	(90,408)	1,941,490
Investment income	251,544	-	251,544	28,690	-	28,690	280,234	-	280,234
Realised gains and (losses)	1,870	-	1,870	47	-	47	1,917	-	1,917
Fair value gains and (losses)	(71,057)	-	(71,057)	(2,826)	-	(2,826)	(73,883)	-	(73,883)
Other operating income	2,546	-	2,546	3,177	-	3,177	5,712	-	5,712
Net benefits and claims	(868,906)	65,768	(803,138)	(204,703)	-	(204,703)	(1,073,609)	65,768	(1,007,841)
Fees deducted (net)	(522,374)	-	(522,374)	(249,544)	-	(249,544)	(771,918)	-	(771,918)
Other operating expenses	(2,716)	-	(2,716)	(360)	-	(360)	(3,065)	-	(3,065)
Tax expense	(8,443)	-	(8,443)	(1,159)	-	(1,159)	(9,602)	-	(9,602)
Excess payment from participants	(643)	-	(643)	-	-	-	(643)	-	(643)
Profit paid to participants	(3,164)	-	(3,164)	(20,534)	-	(20,534)	(23,698)	-	(23,698)
Increase in actuarial liabilities	(15,688)	14,878	(810)	-	-	-	(15,688)	14,878	(810)
Profit attributable to the Takaful Operator	(75,659)	24,641	(51,018)	(5,962)	-	(5,962)	(79,028)	24,641	(54,387)
Net change in fair value on debts investment at FVOCI	40,685	-	40,685	3,299	-	3,299	43,984	-	43,984
Effect of movement in exchange rates	(19,804)	886	(18,918)	-	-	-	(19,804)	886	(18,918)
At 31 December 2018	5,981,856	(163,719)	5,818,137	171,129	-	171,129	6,116,882	(163,719)	5,953,163

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

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 2019	5,981,856	(163,719)	5,818,137	171,129	-	171,129	6,116,882	(163,719)	5,953,163
Net earned contributions	502,912	(30,540)	472,372	128,811	-	128,811	631,723	(30,540)	601,183
Investment income	66,246	-	66,246	7,813	-	7,813	74,059	-	74,059
Realised gains and (losses)	1,678	-	1,678	600	-	600	2,278	-	2,278
Fair value gains and (losses)	20,463	-	20,463	684	-	684	21,147	-	21,147
Other operating income	91	-	91	41	-	41	132	-	132
Net benefits and claims	(227,439)	22,292	(205,147)	(53,272)	-	(53,272)	(280,711)	22,292	(258,419)
Fees deducted (net)	(190,808)	-	(190,808)	(82,727)	-	(82,727)	(273,535)	-	(273,535)
Other operating expenses	(2,602)	-	(2,602)	(1,299)	-	(1,299)	(3,901)	-	(3,901)
Tax expense	(3,791)	-	(3,791)	(1,489)	-	(1,489)	(5,280)	-	(5,280)
Excess payment from participants	(47)	-	(47)	-	-	-	(47)	-	(47)
Profit paid to participants	(780)	-	(780)	(1,194)	-	(1,194)	(1,974)	-	(1,974)
Increase in actuarial liabilities	219,039	(108,320)	110,719	-	-	-	219,039	(108,320)	110,719
Profit attributable to the Takaful Operator	(29,616)	8,248	(21,368)	-	-	-	(29,928)	8,248	(21,680)
Net change in fair value on debt investments at FVOCI	84,027	-	84,027	6,565	-	6,565	90,592	-	90,592
Effect of movement in exchange rates	1,361	(24)	1,337	-	-	-	1,361	(24)	1,337
At 31 March 2019	6,422,590	(272,063)	6,150,527	175,662	-	175,662	6,561,837	(272,063)	6,289,774

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended	
	31.3.2019	31.3.2018
	RM'000	RM'000
Surplus transfer from:		
Family Takaful Fund	21,368	15,193
General Takaful Fund	-	3,203
Wakalah fee income	293,569	222,611
Total Takaful Operator income	<u>314,937</u>	<u>241,007</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	
	31.3.2019	31.3.2018	31.3.2019	31.3.2018	31.3.2019	31.3.2018	31.3.2019	31.3.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	190	199	1,683	1,954	59	171	640	1,029
Dividend income	627	369	1,594	2,259	-	53	2,221	2,681
Profit income	11,654	9,833	64,938	57,318	8,015	6,942	84,607	74,093
Accretion / (Amortisation)	(163)	(217)	(1,461)	(1,350)	(252)	(305)	(1,876)	(1,872)
Investment expenses	(18)	(19)	(508)	(478)	(9)	(11)	(192)	(509)
	<u>12,290</u>	<u>10,165</u>	<u>66,246</u>	<u>59,703</u>	<u>7,813</u>	<u>6,850</u>	<u>85,400</u>	<u>75,422</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Service charged and management fee	3,548	3,267	-	-	-	-	-	-
Writeback of allowance for impaired financing	91	-	-	-	-	-	91	-
Writeback of allowance for impaired debts	-	-	-	1,647	-	-	-	1,647
Writeback of credit impairment losses	-	3	-	79	-	-	-	82
Gain on disposal of assets	5	8	-	-	-	-	5	8
Other income	277	244	91	34	41	128	410	406
	<u>3,921</u>	<u>3,522</u>	<u>91</u>	<u>1,760</u>	<u>41</u>	<u>128</u>	<u>506</u>	<u>2,143</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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	
	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000	31.3.2019 RM'000	31.3.2018 RM'000
Depreciation	(3,549)	(3,022)	-	-	-	-	(5,559)	(4,749)
Impairment losses	(87)	-	(116)	-	(25)	-	(228)	-
Administration fees	(60,609)	(48,967)	-	-	-	-	(60,609)	(48,967)
Agency related expenses	(7,957)	(4,324)	-	-	-	-	(7,957)	(4,324)
Allowance for impaired debts	-	-	(1,592)	-	(1,264)	(115)	(2,856)	(115)
Debts written off	-	-	(300)	(280)	-	-	(300)	(280)
Other expenses	(152)	(468)	(594)	(616)	(10)	(8)	(420)	(334)
	<u>(72,354)</u>	<u>(56,785)</u>	<u>(2,602)</u>	<u>(896)</u>	<u>(1,299)</u>	<u>(123)</u>	<u>(77,929)</u>	<u>(58,771)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

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		
31 March 2019										
Takaful Operator										
Financial assets										
Equity securities	14,453	-	-	14,453	-	-	-	-	14,453	14,453
Unit trusts	-	7,044	-	7,044	-	-	-	-	7,044	7,044
Institutional Trust Account	-	-	74,924	74,924	-	-	-	-	74,924	74,924
Islamic debt securities	130,622	388,445	-	519,067	-	-	-	-	519,067	519,067
Malaysian Government										
Islamic papers	-	30,050	-	30,050	-	-	-	-	30,050	30,050
Structured deposits	-	27,200	-	27,200	-	-	-	-	27,200	27,200
Investment in linked funds	36,415	-	-	36,415	-	-	-	-	36,415	36,415
	181,490	452,739	74,924	709,153	-	-	-	-	709,153	709,153

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

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		
31 March 2019										
Family Takaful										
Financial assets										
Equity securities	275,018	-	-	275,018	-	-	-	-	275,018	275,018
Unit trusts	30,589	31,253	-	61,842	-	-	-	-	61,842	61,842
Institutional Trust Account	-	-	267,611	267,611	-	-	-	-	267,611	267,611
Islamic debt securities	132,564	3,372,004	-	3,504,568	-	-	-	-	3,504,568	3,504,568
Malaysian Government Islamic papers	-	345,616	-	345,616	-	-	-	-	345,616	345,616
Structured deposits	-	103,646	-	103,646	-	-	-	-	103,646	103,646
	438,171	3,852,519	267,611	4,558,301	-	-	-	-	4,558,301	4,558,301

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

28 Fair Value Information (continued)

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

31 March 2019	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										
Institutional Trust Account	-	-	50,128	50,128	-	-	-	-	50,128	50,128
Islamic debt securities	-	362,943	-	362,943	-	-	-	-	362,943	362,943
Malaysian Government Islamic papers	-	21,090	-	21,090	-	-	-	-	21,090	21,090
Structured deposits	-	4,980	-	4,980	-	-	-	-	4,980	4,980
	-	389,013	50,128	439,141	-	-	-	-	439,141	439,141
Group										
Financial assets										
Equity securities	289,471	-	-	289,471	-	-	-	-	289,471	289,471
Unit trusts	30,589	38,297	-	68,886	-	-	-	-	68,886	68,886
Institutional Trust Account	-	-	392,663	392,663	-	-	-	-	392,663	392,663
Islamic debt securities	263,186	4,123,392	-	4,386,578	-	-	-	-	4,386,578	4,386,578
Malaysian Government Islamic papers	-	396,756	-	396,756	-	-	-	-	396,756	396,756
Structured deposits	-	135,826	-	135,826	-	-	-	-	135,826	135,826
	583,246	4,694,271	392,663	5,670,180	-	-	-	-	5,670,180	5,670,180

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

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		
31 December 2018										
Takaful Operator										
Financial assets										
Equity securities	19,488	-	-	19,488	-	-	-	-	19,488	19,488
Unit trusts	3,797	7,043	-	10,840	-	-	-	-	10,840	10,840
Institutional Trust Account	-	-	55,141	55,141	-	-	-	-	55,141	55,141
Islamic debt securities	102,247	345,569	-	442,842	-	-	-	-	442,842	442,842
Malaysian Government										
Islamic papers	-	30,050	-	30,050	-	-	-	-	30,050	30,050
Structured deposits	-	28,568	-	28,568	-	-	-	-	28,568	28,568
Investment in linked funds	36,103	-	-	36,103	-	-	-	-	36,103	36,103
	161,635	411,230	55,141	623,032	-	-	-	-	623,032	623,032

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

28 Fair Value Information (continued)

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

31 December 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		
Family Takaful										
Financial assets										
Equity securities	298,904	-	-	298,904	-	-	-	-	298,904	298,904
Unit trusts	38,166	32,832	-	70,998	-	-	-	-	70,998	70,998
Institutional Trust Account	-	-	220,881	220,881	-	-	-	-	220,881	220,881
Islamic debt securities Malaysian Government	124,683	3,144,348	-	3,269,031	-	-	-	-	3,269,031	3,259,031
Islamic papers	-	323,698	-	323,698	-	-	-	-	323,698	323,698
Structured deposits	-	188,598	-	188,598	-	-	-	-	188,598	188,598
	461,753	3,689,476	220,881	4,372,110	-	-	-	-	4,372,110	4,372,110

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2019

28 Fair Value Information (continued)

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

31 December 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		
General Takaful										
Unit trusts	1,198	-	-	1,198	-	-	-	-	1,198	1,198
Institutional Trust Account	-	-	42,603	42,266	-	-	-	-	42,266	42,266
Islamic debt securities Malaysian Government	-	342,603	-	342,603	-	-	-	-	342,603	342,603
Islamic papers	-	30,272	-	30,272	-	-	-	-	30,272	30,272
Structured deposits	-	27,406	-	27,406	-	-	-	-	27,406	27,406
	1,198	400,281	42,603	444,082	-	-	-	-	444,082	444,082
Group										
Financial assets										
Equity securities	318,392	-	-	318,392	-	-	-	-	318,392	318,392
Unit trusts	43,161	39,875	-	83,036	-	-	-	-	83,036	83,036
Institutional Trust Account	-	-	318,625	318,625	-	-	-	-	318,625	318,625
Islamic debt securities Malaysian Government	226,930	3,832,520	-	4,044,476	-	-	-	-	4,044,476	4,044,476
Islamic papers	-	384,020	-	384,020	-	-	-	-	384,020	384,020
Structured deposits	-	359,080	-	359,080	-	-	-	-	359,080	359,080
	588,483	4,500,987	318,625	5,403,121	-	-	-	-	5,403,121	5,403,121

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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
At 1 January 2018	36,912	179,124	34,202	250,238
Purchases	15,000	29,000	6,000	50,000
Gains recognised in profit or loss				
Investment income - realised	2,355	9,799	1,878	14,032
Gains recognised in other comprehensive income				
Net change in fair value (unrealized)	874	2,958	523	4,355
At 31 December 2018/1 January 2019	55,141	220,881	42,603	318,625
Purchases	19,000	59,844	7,000	85,844
Disposal		(15,842)		(15,842)
Gains and losses recognised in profit or loss				
Investment income - realised	662	2,562	506	3,730
Net change in fair value	121	166	19	306
At 31 March 2019	74,924	267,611	50,128	392,663

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:

	Family Takaful		General Takaful		Group	
	31.3.2019 RM'000	31.12.2018 RM'000	31.3.2019 RM'000	31.12.2018 RM'000	31.3.2019 RM'000	31.12.2018 RM'000
<u>Days past due</u>						
Current (not past due)	189,960	74,055	85,182	62,645	275,142	136,700
1-30 days	12	218	665	621	677	839
31-60 days	512	234	507	774	1,019	1,008
61-90 days	62	1,007	1,225	286	1,287	1,293
91-180 days	1,283	79	2,059	74	3,342	153
> 180 days	3,538	3,236	1,857	1,973	5,395	5,209
	195,367	78,829	91,495	66,373	286,862	145,202

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

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	
	31.3.2019	31.12.2018	31.3.2019	31.12.2018	31.3.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam						
Malaysia	306	171	3,715	2,469	4,021	2,640
Berhad						

Material Impairment of Assets

Measurement of ECL

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

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

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

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

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

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

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

29 Additional Information (continued)

Material Impairment of Assets (continued)

Measurement of ECL (continued)

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

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

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

The impairment losses recognized in profit or loss 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 financial period ended 31 March 2019.

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 31 March 2019.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2019

33 Regulatory capital requirements (continued)

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

	As at 31.3.2019 RM'000	As at 31.12.2018 RM'000
Tier 1 capital	1,497,584	1,399,233
Tier 2 capital	80,244	33,297
Deductions	(220,262)	(231,762)
Total capital available	1,357,566	1,200,768

By Order of the Board

MOHAMAD ASRI BIN YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 25 April 2019