

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 30 JUNE 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 30 June 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 30 JUNE 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.

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

On 1 April 2019, the Company allotted and issued 2,574,163 new ordinary shares pursuant to the Long-Term Incentive Plan ("LTIP").

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

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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
<b>6 months ended 30 June 2019</b>			
Revenue from external participants	1,521,199	69,941	1,591,140
Profit/(loss) before zakat and taxation	213,728	(3,308)	210,420
<b>As at 30 June 2019</b>			
Segment assets by location of assets	9,297,408	538,470	9,835,878
Segment liabilities by location of liabilities	8,146,968	476,602	8,623,570
<b>6 months ended 30 June 2018</b>			
Revenue from external participants	1,222,326	66,281	1,288,607
Profit/(loss) before zakat and taxation	147,075	(698)	146,377
<b>As at 30 June 2018</b>			
Segment assets by location of assets	7,865,440	478,361	8,343,801
Segment liabilities by location of liabilities	6,980,495	415,074	7,395,569

### 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 30 JUNE 2019

### 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 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			6 months ended		
	30.6.2019	30.6.2018	Changes	30.6.2019	30.6.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	672,981	542,433	24%	1,591,140	1,288,607	23%
Gross earned contributions	630,660	510,498	24%	1,337,737	1,016,773	32%
Profit before zakat and tax	97,107	61,436	58%	210,420	146,377	44%
Profit after zakat and tax	80,369	49,959	61%	176,010	119,717	47%
Profit attributable to owners of the Company	80,949	50,420	61%	177,392	120,396	47%

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

### 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 RM1,591.1 million for the financial period ended 30 June 2019, an increase of 23% or RM302.5 million as compared to the same period last year. The increase was mainly attributable to higher sales generated by Family Takaful business.

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

For the 6 months period ended 30 June 2019, the Group recorded profit before zakat and tax of RM210.4 million, increased by 44% as compared to RM146.4 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 RM967.5 million for the 6 months period ended 30 June 2019, increased by 44%, as compared to RM674.2 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 1% to RM384.6 million in the 6 months period ended 30 June 2019 from RM380.4 million in the same period of the preceding year. This was mainly due higher surrender claims.

Investment income for the Family Takaful business increased by 13% to RM136.7 million as compared to RM121.4 million in the corresponding period last year, mainly due to higher profit from Islamic debt securities.

For the 6 months period ended 30 June 2019, Family Takaful recorded fair value gains of RM35.9 million, increased by RM89.0 million as compared to the same period last year. The higher gain were mainly due to improvement in equity market performance.

##### **General Takaful**

General Takaful business generated gross earned contributions of RM370.4 million for the 6 months period ended 30 June 2019, increased by 8% as compared to RM342.7 million in the corresponding period last year. The growth was mainly from fire class.

The net benefits and claims for General Takaful business decreased by 11% to RM98.3 million in the 6 ended 30 June 2019 from RM110.5 million in the same period of the preceding year, mainly due to decrease in claims relating to fire class.

The investment income for the 6 months period ended 30 June 2019 was RM15.7 million, increased by 14%, as compared to the investment income in the same period of the preceding year of RM13.7 million, mainly to higher profit from Islamic debts securities.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

### 14 Review of Performance (continued)

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

##### Operating revenue

For the second quarter ended 30 June 2019, the Group generated Operating Revenue of RM672.9 million as compared to RM542.4 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated by Family Takaful business.

##### Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM97.1 million, increased by 58% as compared to RM61.4 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 quarter under review, Family Takaful business recorded gross earned contributions of RM464.6 million as compared to RM350.2 million in the same period last year. The increase is mainly attributable to higher sales from credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM179.4 million, an increase of 6% as compared to the corresponding quarter of preceding year. The increase was mainly due to higher surrender and death claims.

Investment income for the Family Takaful business for the current year quarter of RM70.5 million, is higher as compared to RM61.7 million in the corresponding quarter last year, mainly due to higher profit from Islamic debt securities.

For the current quarter under review, Family Takaful recorded fair value gains of RM15.4 million, increased by RM66.3 million as compared to same period last year. The higher gains were mainly due to the equity market performance.

##### General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM166.2 million, increased by 4%, as compared to RM160.3 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 RM45.0 million for the quarter under review, a decrease of 24% as compared to the corresponding quarter of preceding year. The decrease was mainly due to decrease in claims relating to fire and motor classes.

Investment income for the General Takaful business of RM7.9 million is higher as compared to RM6.9 million in the corresponding quarter of preceding year, mainly due to higher profit from Islamic debts securities.

For the current quarter under review, General Takaful recorded fair value gains of RM0.3 million, increased by RM2.8 million as compared to same period last year. The higher gains were mainly due to the equity market performance.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

### 14 Review of Performance (continued)

#### 14.3 Indonesian Operations

The operating revenue of Indonesian operations increased by 5% to RM69.9 million from RM66.3 million in the same period of the preceding year whilst, the gross earned contribution increased by 1% to RM58.8 million compared to RM58.4 million in the same period of preceding year.

The Indonesian operations recorded loss before zakat and tax of RM3.3 million as at 30 June 2019 as compared to loss before zakat and tax of RM0.7 million 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.

#### 14.4 Review of Statements of Financial Position

As at 30 June 2019, total assets increased by RM904.3 million to RM9,835.9 million as compared to RM8,931.6 million as at 31 December 2018, mainly attributable to the increase in other investments, retakaful assets and loan and receivables including Takaful receivables.

As compared to 31 December 2018, other investments increased from RM5,403.1 million to RM5,845.4 million as at 30 June 2019, mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and Institutional Trust account. The increase was mainly attributable to new purchases as well as gains in market value.

Retakaful assets increased from RM537.1 million to RM684.2 million mainly due to additional retakaful reserving.

Loan and receivable, excluding Takaful receivables increased from RM1,354.5 million to RM1,915.6 million mainly due to increase in placement to fixed deposit.

Takaful receivables increased from RM139.1 million to RM254.1 million as of 30 June 2019. The increase was primarily driven by the growth in gross contributions from Family takaful business.

Total liabilities increased by RM704.2 million to RM8,623.6 million as compared to RM7,919.4 million as at 31 December 2018, mainly attributable to the increase in takaful contract liabilities by RM739.5 million. The increase in takaful contract liabilities from RM7,127.6 million as at 31 December 2018 to RM7,867.1 million as at 30 June 2019 was in line with the Company's business growth.

Shareholders' equity increased by RM200.2 million to RM1,212.3 million as at 30 June 2019. This is mainly attributed to the increase in distributable retained earnings of RM177.4 million.

#### 14.5 Review of Statements of Cash flows

For the second quarter ended 30 June 2019, the Group's cash flow position of RM658.0 million is healthy and strong.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

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

	<b>Current Quarter 30.06.2019 RM'000</b>	<b>Immediate Preceding Quarter 31.03.2019 RM'000</b>	<b>Changes %</b>
Operating revenue	672,981	918,159	-27%
Gross earned contributions	630,660	707,077	-11%
Profit before zakat and tax	97,107	113,313	-14%
Profit after zakat and tax	80,369	95,641	-16%
Profit attributable to owners of the Company	80,949	96,443	-16%

#### **Operating revenue**

For the current quarter under review, the Group generated Operating Revenue of RM673.0 million as compared to RM918.2 million in the immediate preceding quarter. The decrease is mainly attributable to lower sales generated from Family and General Takaful business.

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

For the quarter under review, the Group recorded profit before zakat and taxation of RM97.1 million, lower by 14% as compared to the immediate preceding quarter of RM113.3 million. The decrease in profit was mainly attributable to lower net wakalah fee income.

#### **Family Takaful**

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM464.6 million, decreased by 8%, as compared to RM502.9 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from employee benefits products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM179.4 million, decreased by 13% as compared to the immediate preceding quarter. The decrease was mainly due to lower death and medical claims.

For the current quarter under review, Family Takaful business recorded investment income of RM70.5 million, increased by 6% as compared to RM66.2 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 RM15.4 million, decreased by RM5.1 million as compared to fair value gains of RM20.5 million immediate preceding quarter. The lower gains were mainly due to the equity market performance.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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 RM166.2 million, decreased by 19%, as compared to RM204.2 million in the immediate preceding quarter. The decrease was mainly from fire and motor classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM45.0 million, a decrease of 15% as compared to the immediate preceding quarter. The decrease was mainly due to lower claims relating to motor.

For the current quarter under review, General Takaful business recorded investment income of RM7.9 million for the quarter under review is at par with the investment income in the immediate preceding quarter.

### **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 30 JUNE 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		Cumulative 6 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Current tax expense:				
- Current financial period	13,205	11,599	32,475	29,799
Deferred tax benefits:				
- Current financial period	3,244	(339)	1,312	(3,534)
Total tax expense	<u>16,449</u>	<u>11,260</u>	<u>33,787</u>	<u>26,265</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 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 June 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 30 JUNE 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		Cumulative 6 months ended	
		30.6.2019	30.6.2018	30.6.2019	30.6.2018
Owners of the Company (RM'000)		80,949	50,420	177,392	120,396
Weighted average number of ordinary shares in issue	('000)	826,681	824,172	824,840	823,405
<b>Basic EPS</b>	(sen)	9.79	6.12	21.51	14.62

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

		3 months ended		Cumulative 6 months ended	
		30.6.2019	30.6.2018	30.6.2019	30.6.2018
Owners of the Company (RM'000)		80,949	50,420	177,392	120,396
Weighted average number of ordinary shares in issue	('000)	826,681	824,172	824,840	823,405
Effects of dilution	('000)	2,198	2,069	2,198	2,069
Diluted weighted average number of ordinary shares in issue	('000)	828,879	826,241	827,038	825,474
<b>Diluted EPS</b>	(sen)	9.77	6.10	21.45	14.59

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

#### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 June 2019			31 December 2018		
	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	35,615	(8,803)	26,812	27,361	(4,027)	23,334
Provision for IBNR	139,112	(38,210)	100,902	138,380	(34,477)	103,903
Provision for outstanding claims	174,727	(47,013)	127,714	165,741	(38,504)	127,237
Actuarial liabilities	5,397,549	(291,695)	5,105,854	5,020,886	(163,719)	4,857,167
Unallocated surplus	827,723	-	827,723	708,726	-	708,726
Fair value reserves	200,399	-	200,399	27,520	-	27,520
Net asset value attributable to unitholders	238,810	-	238,810	224,724	-	224,724
Participants' fund	6,664,481	(291,695)	6,372,786	5,981,856	(163,719)	5,818,137
	6,839,208	(338,708)	6,500,500	6,147,597	(202,223)	5,945,374

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2019**

**23 Takaful Contract Liabilities (continued)**

	30 June 2019			31 December 2018		
	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	282,513	(175,201)	107,312	267,294	(165,838)	101,456
Provision for IBNR	218,964	(103,289)	115,676	200,690	(92,192)	108,498
Provision for outstanding claims	501,477	(278,490)	222,988	467,984	(258,030)	209,954
Provision for unearned contributions	374,418	(66,960)	307,458	376,971	(76,884)	300,087
	875,895	(345,450)	530,446	844,955	(334,914)	510,041
Unallocated surplus	175,350	-	175,350	168,871	-	168,871
Fair value reserves	13,762	-	13,762	2,258	-	2,258
Participants' fund	189,112	-	189,112	171,129	-	171,129
	1,065,007	(345,450)	719,558	1,016,084	(334,914)	681,170

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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**23 Takaful Contract Liabilities (continued)**

	30 June 2019			31 December 2018		
	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	318,128	(184,004)	134,124	294,655	(169,865)	124,790
Provision for IBNR	358,076	(141,499)	216,578	339,070	(126,669)	212,401
Provision for outstanding claims	676,204	(325,503)	350,702	633,725	(296,534)	337,191
Provision for unearned contributions	374,418	(66,960)	307,458	376,971	(76,884)	300,087
	<u>1,050,622</u>	<u>(392,463)</u>	<u>658,160</u>	<u>1,010,696</u>	<u>(373,418)</u>	<u>637,278</u>
Actuarial liabilities	5,397,549	(291,695)	5,105,854	5,020,886	(163,719)	4,857,167
Unallocated surplus	1,003,073	-	1,003,073	877,597	-	877,597
Fair value reserves	214,161	-	214,161	29,778	-	29,778
Net asset value attributable to unitholders	201,650	-	201,650	188,621	-	188,621
Participants' fund	<u>6,816,433</u>	<u>(291,695)</u>	<u>6,524,738</u>	<u>6,116,882</u>	<u>(163,719)</u>	<u>5,953,163</u>
	<u>7,867,055</u>	<u>(684,158)</u>	<u>7,182,898</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 30 JUNE 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
<b>At 1 January 2018</b>	5,665,138	(179,484)	5,485,654	197,633	-	197,633	5,824,075	(179,484)	5,644,591
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	5,723	-	5,723
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)	(3,076)	-	(3,076)
Tax expense	(8,443)	-	(8,443)	(1,159)	-	(1,159)	(9,602)	-	(9,602)
Excess payment transferred to 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)
<b>At 31 December 2018</b>	<b>5,981,856</b>	<b>(163,719)</b>	<b>5,818,137</b>	<b>171,129</b>	<b>-</b>	<b>171,129</b>	<b>6,116,882</b>	<b>(163,719)</b>	<b>5,953,163</b>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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
<b>At 1 January 2019</b>	5,981,856	(163,719)	5,818,137	171,129	-	171,129	6,116,882	(163,719)	5,953,163
Net earned contributions	967,467	(62,240)	905,227	232,056	-	232,056	1,199,523	(62,240)	1,137,283
Investment income	136,749	-	136,749	15,704	-	15,704	152,453	-	152,453
Realised gains and (losses)	3,609	-	3,609	1,489	-	1,489	5,098	-	5,098
Fair value gains and (losses)	35,869	-	35,869	993	-	993	36,862	-	36,862
Other operating income	113	-	113	53	-	53	166	-	166
Net benefits and claims	(433,070)	48,492	(384,578)	(98,299)	-	(98,299)	(531,369)	48,492	(482,877)
Fees deducted (net)	(349,576)	-	(349,576)	(136,739)	-	(136,739)	(486,315)	-	(486,315)
Other operating expenses	(3,237)	-	(3,237)	(2,390)	-	(2,390)	(5,627)	-	(5,627)
Tax expense	(8,210)	-	(8,210)	(3,143)	-	(3,143)	(11,353)	-	(11,353)
Excess payment from participants	18	-	18	-	-	-	18	-	18
Profit paid to participants	(2,062)	-	(2,062)	(3,245)	-	(3,245)	(5,307)	-	(5,307)
Increase in actuarial liabilities	206,623	(127,352)	79,271	-	-	-	206,623	(127,352)	79,271
Profit attributable to the Takaful Operator	(54,649)	13,749	(40,900)	-	-	-	(55,706)	13,749	(41,957)
Net change in fair value on debt investments at FVOCI	172,880	-	172,880	11,504	-	11,504	184,384	-	184,384
Effect of movement in exchange rates	10,101	(625)	9,476	-	-	-	10,101	(625)	9,476
<b>At 30 June 2019</b>	<b>6,664,481</b>	<b>(291,695)</b>	<b>6,372,786</b>	<b>189,112</b>	<b>-</b>	<b>189,112</b>	<b>6,816,433</b>	<b>(291,695)</b>	<b>6,524,738</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 6 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Surplus transfer from:				
Family Takaful Fund	19,532	7,905	40,900	23,098
General Takaful Fund	-	1,612	-	4,815
Wakalah fee income	226,084	174,605	519,653	397,216
Total Takaful Operator income	<u>245,616</u>	<u>184,122</u>	<u>560,553</u>	<u>425,129</u>

#### 25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Rental income	198	204	1,770	1,819	5	6	681	741
Dividend income	1,097	16	3,386	2,441	-	148	4,483	2,605
Profit income	12,998	10,944	67,459	59,589	8,191	7,066	88,648	77,599
Accretion / (Amortisation)	(192)	(225)	(1,636)	(1,640)	(291)	(339)	(2,119)	(2,204)
Investment expenses	(36)	(10)	(476)	(478)	(14)	(3)	(166)	(467)
	<u>14,065</u>	<u>10,929</u>	<u>70,503</u>	<u>61,731</u>	<u>7,891</u>	<u>6,878</u>	<u>91,527</u>	<u>78,274</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2019**

**25 Investment Income (continued)**

The investment income consists of the following:

	<b>Takaful Operator</b>		<b>Family Takaful Fund</b>		<b>General Takaful Fund</b>		<b>Group</b>	
	<b>6 months ended</b>		<b>6 months ended</b>		<b>6 months ended</b>		<b>6 months ended</b>	
	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>30.6.2019</b>	<b>30.6.2018</b>	<b>30.6.2019</b>	<b>30.6.2018</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	388	403	3,453	3,773	64	177	1,321	1,770
Dividend income	1,724	385	4,980	4,700	-	201	6,704	5,286
Profit income	24,652	20,777	132,397	116,907	16,206	14,008	173,255	151,692
Accretion / (Amortisation)	(355)	(442)	(3,097)	(2,990)	(543)	(644)	(3,995)	(4,076)
Investment expenses	(54)	(29)	(984)	(956)	(23)	(14)	(358)	(976)
	<u>26,355</u>	<u>21,094</u>	<u>136,749</u>	<u>121,434</u>	<u>15,704</u>	<u>13,728</u>	<u>176,927</u>	<u>153,696</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Service charged and management fee	4,271	2,432	-	-	-	-	-	-
Writeback of allowance for impaired financing	-	2	-	-	-	-	-	2
Writeback of allowance for impaired debts	-	-	-	-	-	279	-	279
Writeback of credit impairment losses	-	-	-	118	-	-	-	118
Gain on disposal of assets	5	-	-	-	-	-	5	-
Other income	324	425	22	13	12	168	357	464
	<u>4,600</u>	<u>2,859</u>	<u>22</u>	<u>131</u>	<u>12</u>	<u>447</u>	<u>362</u>	<u>863</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

#### 26 Other Operating Income (continued)

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

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Service charged and management fee	7,819	5,699	-	-	-	-	-	-
Writeback of allowance for impaired financing	91	2	-	-	-	-	91	2
Writeback of allowance for impaired debts	-	-	-	1,169	-	164	-	1,333
Writeback of credit impairment losses	-	-	-	197	-	-	-	197
Gain on disposal of assets	10	2	-	-	-	-	10	2
Other income	606	528	113	47	53	296	772	870
	<u>8,526</u>	<u>6,231</u>	<u>113</u>	<u>1,413</u>	<u>53</u>	<u>460</u>	<u>873</u>	<u>2,404</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Depreciation	(3,587)	(2,886)	-	-	-	-	(5,605)	(4,606)
Impairment losses	(3)	(27)	(186)	-	(4)	(21)	(193)	(48)
Administration fees	(50,538)	(37,367)	-	-	-	-	(50,538)	(37,367)
Agency related expenses	(10,831)	(3,500)	-	-	-	-	(10,831)	(3,500)
Allowance for impaired debts	-	-	(188)	(478)	(1,078)	-	(890)	(478)
Debts written off	-	-	(38)	-	-	-	(38)	-
Loss from foreign exchange	-	-	-	-	(3)	(7)	(3)	(7)
Loss on disposal of assets	-	(6)	-	-	-	-	-	(6)
Other expenses	(112)	-	(599)	(741)	(6)	(157)	(420)	(96)
	<u>(65,071)</u>	<u>(43,786)</u>	<u>(635)</u>	<u>(1,219)</u>	<u>(1,091)</u>	<u>(185)</u>	<u>(68,518)</u>	<u>(46,108)</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2019

#### 27 Other Operating Expenses (continued)

The other operating expenses consist of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000	30.6.2019 RM'000	30.6.2018 RM'000
Depreciation	(7,136)	(5,908)	-	-	-	-	(11,168)	(9,355)
Impairment losses	(90)	(24)	(302)	-	(29)	(21)	(421)	(45)
Administration fees	(111,147)	(86,334)	-	-	-	-	(111,147)	(86,334)
Agency related expenses	(18,789)	(7,824)	-	-	-	-	(18,789)	(7,824)
Allowance for impaired debts	-	-	(1,404)	-	(2,342)	-	(3,746)	-
Debts written off	-	-	(338)	(280)	-	-	(338)	(280)
Loss from foreign exchange	-	-	-	-	(3)	(9)	(3)	(9)
Other expenses	(268)	(331)	(1,193)	(1,357)	(16)	(163)	(840)	(430)
	<u>(137,430)</u>	<u>(100,421)</u>	<u>(3,237)</u>	<u>(1,637)</u>	<u>(2,390)</u>	<u>(193)</u>	<u>(146,452)</u>	<u>(104,277)</u>

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 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		
<b>30 June 2019</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	9,724	-	-	9,724	-	-	-	-	9,724	9,724
Unit trusts	-	6,688	-	6,688	-	-	-	-	6,688	6,688
Institutional Trust Account	-	-	75,959	75,959	-	-	-	-	75,959	75,959
Islamic debt securities	112,227	401,596	-	513,823	-	-	-	-	513,823	513,823
Malaysian Government										
Islamic papers	-	42,530	-	42,530	-	-	-	-	42,530	42,530
Structured deposits	-	39,883	-	39,883	-	-	-	-	39,883	39,883
Investment in linked funds	37,160	-	-	37,160	-	-	-	-	37,160	37,160
	159,111	490,697	75,959	725,767	-	-	-	-	725,767	725,767

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2019**

**28 Fair Value Information (continued)**

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

30 June 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		
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	319,376	-	-	319,376	-	-	-	-	319,376	319,376
Unit trusts	32,148	22,742	-	54,890	-	-	-	-	54,890	54,890
Institutional Trust Account	-	-	322,716	322,716	-	-	-	-	322,716	322,716
Islamic debt securities	132,442	3,410,675	-	3,543,117	-	-	-	-	3,543,117	3,543,117
Malaysian Government Islamic papers	-	446,679	-	446,679	-	-	-	-	446,679	446,679
Structured deposits	-	55,196	-	55,196	-	-	-	-	55,196	55,196
	483,966	3,935,292	322,716	4,741,974	-	-	-	-	4,741,974	4,741,974

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 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		
<b>30 June 2019</b>										
<b>General Takaful</b>										
Institutional Trust Account	-	-	50,832	50,832	-	-	-	-	50,832	50,832
Islamic debt securities	-	348,032	-	348,032	-	-	-	-	348,032	348,032
Malaysian Government										
Islamic papers	-	10,818	-	10,818	-	-	-	-	10,818	10,818
Structured deposits	-	5,104	-	5,104	-	-	-	-	5,104	5,104
	-	363,954	50,832	414,786	-	-	-	-	414,786	414,786
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	329,100	-	-	329,100	-	-	-	-	329,100	329,100
Unit trusts	32,148	29,430	-	61,578	-	-	-	-	61,578	61,578
Institutional Trust Account	-	-	449,507	449,507	-	-	-	-	449,507	449,507
Islamic debt securities	244,668	4,160,304	-	4,404,972	-	-	-	-	4,404,972	4,404,972
Malaysian Government										
Islamic papers	-	500,027	-	500,027	-	-	-	-	500,027	500,027
Structured deposits	-	100,183	-	100,183	-	-	-	-	100,183	100,183
	605,916	4,789,944	449,507	5,845,367	-	-	-	-	5,845,367	5,845,367

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 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		
<b>31 December 2018</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	19,108	-	380	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	15,340	427,502	-	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
	74,348	493,163	55,521	623,032	-	-	-	-	623,032	623,032

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 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		
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	298,905	-	-	298,905	-	-	-	-	298,905	298,905
Unit trusts	38,166	32,830	-	70,996	-	-	-	-	70,996	70,996
Institutional Trust Account	-	-	220,881	220,881	-	-	-	-	220,881	220,881
Islamic debt securities Malaysian Government	120,383	3,148,649	-	3,269,032	-	-	-	-	3,269,032	3,259,032
Islamic papers	-	323,698	-	323,698	-	-	-	-	323,698	323,698
Structured deposits	-	188,598	-	188,598	-	-	-	-	188,598	188,598
	457,454	3,693,775	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 30 JUNE 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		
<b>General Takaful</b>										
Unit trusts	1,199	-	-	1,199	-	-	-	-	1,199	1,199
Institutional Trust Account	-	-	42,603	42,603	-	-	-	-	42,603	42,603
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	-	27,405	-	27,405	-	-	-	-	27,405	27,405
	1,199	400,280	42,603	444,082	-	-	-	-	444,082	444,082
<b>Group</b>										
<b>Financial assets</b>										
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	136,723	3,918,754	-	4,054,477	-	-	-	-	4,054,477	4,054,477
Islamic papers	-	384,020	-	384,020	-	-	-	-	384,020	384,020
Structured deposits	-	244,571	-	244,571	-	-	-	-	244,571	244,571
	496,898	4,587,218	319,005	5,403,121	-	-	-	-	5,403,121	5,403,121

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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 30 JUNE 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:

	<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 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	109,844	7,000	135,844
Disposal		(15,842)		(15,842)
Gains and losses recognised in profit or loss				
Investment income - realised	1,486	5,593	1,079	8,158
Net change in fair value	332	2,240	150	2,722
At 30 June 2019	75,959	322,716	50,832	449,507

### 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>30.6.2019 RM'000</b>	<b>31.12.2018 RM'000</b>	<b>30.6.2019 RM'000</b>	<b>31.12.2018 RM'000</b>	<b>30.6.2019 RM'000</b>	<b>31.12.2018 RM'000</b>
<u>Days past due</u>						
Current (not past due)	199,459	74,055	52,577	62,645	252,036	136,700
1-30 days	3	218	385	621	388	839
31-60 days	21	234	228	774	249	1,008
61-90 days	148	1,007	246	286	394	1,293
91-180 days	1,556	79	2,664	74	4,220	153
> 180 days	3,049	3,236	3,663	1,973	6,712	5,209
	204,236	78,829	59,763	66,373	263,999	145,202

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 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	
	30.6.2019	31.12.2018	30.6.2019	31.12.2018	30.6.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam						
Malaysia	280	171	2,161	2,469	2,441	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 30 JUNE 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 30 June 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 30 June 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 30 JUNE 2019

### 33 Regulatory capital requirements (continued)

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

	<b>As at 30.6.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
Tier 1 capital	1,455,477	1,399,577
Tier 2 capital	121,918	33,297
Deductions	(215,129)	(231,762)
<b>Total capital available</b>	<u>1,455,477</u>	<u>1,201,112</u>

By Order of the Board

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