

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 Basis of Preparation

The unaudited interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), IAS 34 Interim Financial Reporting issued by International Accounting Standards Board, paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”), and Guidelines / Circulars issued by Bank Negara Malaysia (“BNM”) and Shariah rulings and precepts.

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 September 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

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

The Group and the Company adopted MFRS 16, *Leases* with a date of initial application on 1 January 2019. 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*.

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.

The details of the Group's accounting policies resulted from its adoption of MFRS 16 are as below.

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The nature of expenses related to those leases changed because the Group recognised 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

1 Basis of Preparation (continued)

MFRS 16, Leases (continued)

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

The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted at the Group's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

Previously, the Group 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 applied a single discount rate to a portfolio of leases with similar characteristics as practical expedient when applying MFRS 16 to leases previously classified as operating leases under MFRS 117.

(ii) Leases in which the Group is lessor

No significant impact for leases in which the Group is lessor.

(iii) Leases in which the Group is lessor

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iv) Impacts on financial statements

The Group applied MFRS 16 using modified retrospective approach and measured the right-of-use assets equals to the lease liabilities at 1 January 2019 with no restatement of comparative information.

On transition to MFRS 16, the Group recognised an amount of RM17,184,000 and RM52,154,000 as right-of-use assets of the Takaful Operator and Group respectively.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019.

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

MFRS 16, Leases (continued)

	Takaful Operator RM'000	Group RM'000
Leased liabilities		
Operating lease commitment at 31 December 2018 as disclosed in the consolidated financial statements	1,765	1,765
Discounted using the incremental borrowing rate at 1 January 2019	(190)	(190)
Lease liabilities as at 1 January 2019	<u>1,575</u>	<u>1,575</u>

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 September 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

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
9 months ended 30 September 2019			
Revenue from external participants	2,236,382	108,270	2,344,652
Profit/(loss) before zakat and taxation	335,223	(3,048)	332,175
As at 30 September 2019			
Segment assets by location of assets	9,726,790	530,504	10,257,294
Segment liabilities by location of liabilities	8,454,443	466,714	8,921,157
9 months ended 30 September 2018			
Revenue from external participants	1,835,633	101,925	1,937,558
Profit/(loss) before zakat and taxation	239,399	(5,223)	234,176
As at 30 September 2018			
Segment assets by location of assets	8,199,298	474,520	8,673,818
Segment liabilities by location of liabilities	7,221,556	415,575	7,637,131

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

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			9 months ended		
	30.9.2019 RM'000	30.9.2018 RM'000	Changes %	30.9.2019 RM'000	30.9.2018 RM'000	Changes %
Operating revenue	753,512	648,951	16%	2,344,652	1,937,558	21%
Gross earned contributions	715,505	613,964	17%	2,053,242	1,630,737	26%
Profit before zakat and tax	121,754	87,799	39%	332,175	234,176	42%
Profit after zakat and tax	112,640	82,782	36%	288,651	202,499	43%
Profit attributable to owners of the Company	112,340	83,957	34%	289,732	204,353	42%

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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 RM2,344.7 million for the financial period ended 30 September 2019, an increase of 21% or RM407.1 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 9 months period ended 30 September 2019, the Group recorded profit before zakat and tax of RM332.2 million, increased by 42% as compared to RM234.2 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 and higher net investment income.

Family Takaful

Family Takaful business generated gross earned contributions of RM1,511.1 million for the 9 months period ended 30 September 2019, increased by 36%, as compared to RM1,110.9 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 RM591.4 million in the 9 months period ended 30 September 2019 from RM585.2 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 11% to RM207.2 million as compared to RM186.8 million in the corresponding period last year, mainly due to higher profit from Islamic debt securities.

For the 9 months period ended 30 September 2019, Family Takaful recorded fair value gains of RM26.5 million, increased by RM68.8 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 RM542.4 million for the 9 months period ended 30 September 2019, increased by 4% as compared to RM519.7 million in the corresponding period last year. The growth was mainly from fire and motor classes.

The net benefits and claims for General Takaful business decreased by 8% to RM147.3 million in the 9 months ended 30 September 2019 from RM159.4 million in the same period of the preceding year, mainly due to decrease in claims relating to fire class.

The investment income for the 9 months period ended 30 September 2019 was RM23.5 million, increased by 11%, as compared to the investment income in the same period of the preceding year of RM21.1 million, mainly to higher profit from Islamic debts securities.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

14 Review of Performance (continued)

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

Operating revenue

For the third quarter ended 30 September 2019, the Group generated Operating Revenue of RM753.5 million as compared to RM649.0 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 current quarter under review, the Group recorded profit before zakat and taxation of RM121.8 million, increased by 39% as compared to RM87.8 million in the same period last year. The increase in profit was mainly attributable to increase in net wakalah fee income.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM 543.7 million as compared to RM436.7 million in the same period last year. The increase is mainly attributable to higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM206.8 million, an increase of 1% as compared to the corresponding quarter of preceding year. The increase was mainly due to higher surrender claims.

Investment income for the Family Takaful business for the current year quarter of RM70.4 million, is higher as compared to RM65.4 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 losses of RM9.4 million, decreased by RM20.2 million as compared to same period last year. The higher losses were mainly due to the equity market performance.

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM171.9 million, decreased by 3%, as compared to RM177.1 million in the corresponding quarter of preceding year, mainly attributable to fire and motor classes.

General Takaful business recorded net benefits and claims of RM49.0 million for the quarter under review, a slight increase as compared to RM48.8 million in the corresponding quarter of preceding year.

Investment income for the General Takaful business of RM7.8 million is higher as compared to RM7.3 million in the corresponding quarter of preceding year, mainly due to higher profit from Islamic debts securities.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

14 Review of Performance (continued)

14.3 Indonesian Operations

The operating revenue of Indonesian operations increased by 6% to RM108.3 million from RM101.9 million in the same period of the preceding year whilst, the gross earned contribution increased by 6% to RM92.8 million compared to RM87.7 million in the same period of preceding year.

The Indonesian operations recorded loss before zakat and tax of RM3.0 million as at 30 September 2019 as compared to loss before zakat and tax of RM5.2 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 September 2019, total assets increased by RM1,325.7 million to RM10,257.3 million as compared to RM8,931.6 million as at 31 December 2018, mainly attributable to the increase in other investments, retakaful assets and loan and receivables excluding Takaful receivables.

As compared to 31 December 2018, other investments increased from RM5,403.1 million to RM5,808.8 million as at 30 September 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 RM752.9 million mainly due to additional retakaful reserving.

Loan and receivable, excluding Takaful receivables increased from RM1,354.5 million to RM2,426.9 million mainly due to increase in placement to fixed deposit.

Total liabilities increased by RM1,001.7 million to RM8,921.2 million as compared to RM7,919.4 million as at 31 December 2018, mainly attributable to the increase in takaful contract liabilities by RM1,034.2 million. The increase in takaful contract liabilities from RM7,127.6 million as at 31 December 2018 to RM8,161.8 million as at 30 September 2019 was in line with the Company's business growth.

Shareholders' equity increased by RM324.0 million to RM1,336.1 million as at 30 September 2019. This is mainly attributed to the increase in distributable retained earnings of RM289.7 million.

14.5 Review of Statements of Cash flows

For the third quarter ended 30 September 2019, the Group's cash flow position of RM555.9 million is healthy and strong.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30.09.2019 RM'000	Immediate Preceding Quarter 30.06.2019 RM'000	Changes %
Operating revenue	753,512	672,981	12%
Gross earned contributions	715,505	630,660	13%
Profit before zakat and tax	121,754	97,107	25%
Profit after zakat and tax	112,640	80,369	40%
Profit attributable to owners of the Company	112,340	80,949	39%

Operating revenue

For the current quarter under review, the Group generated Operating Revenue of RM753.5 million as compared to RM673.0 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 quarter under review, the Group recorded profit before zakat and taxation of RM121.8 million, higher by 25% as compared to the immediate preceding quarter of RM97.1 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 RM543.7 million, increased by 17%, as compared to RM464.6 million in the immediate preceding quarter. The increase was mainly attributable to higher sales from credit-related products products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM206.8 million, increased by 15% as compared to the immediate preceding quarter. The increase was mainly due to higher death and surrender claims.

For the current quarter under review, Family Takaful business recorded investment income of RM70.4 million is at par as compared to RM70.5 million in the immediate preceding quarter.

For the current quarter under review, Family Takaful recorded fair value losses of RM9.4 million, decreased by RM24.8 million as compared to fair value gains of RM15.4 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

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 RM171.9 million, increased by 3%, as compared to RM166.2 million in the immediate preceding quarter. The increase was mainly from fire and commercial classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM49.0 million, an increase of 9% as compared to the immediate preceding quarter. The increase was mainly due to higher claims relating to motor.

For the current quarter under review, General Takaful business recorded investment income of RM7.8 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 for 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

18 Taxation

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

	3 months ended		Cumulative 9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Current tax expense:				
- Current financial period	16,726	13,825	49,201	43,651
- Over provision in prior year	(7,734)	(7,613)	(7,734)	(7,613)
Deferred tax benefits:				
- Current financial period	(219)	(1,525)	1,093	(5,059)
Total tax expense	<u>8,773</u>	<u>4,714</u>	<u>42,560</u>	<u>30,979</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 30 September 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

22 Earnings per Share

Basic earnings per share (“Basic EPS”)

Basic EPS of the Group is calculated by dividing the net profit attributable to ordinary shareholders for the quarter / period by the weighted average number of ordinary shares in issue during the period.

		3 months ended		Cumulative 9 months ended	
		30.9.2019	30.9.2018	30.9.2019	30.9.2018
Owners of the Company (RM'000)		<u>112,340</u>	<u>83,957</u>	<u>289,732</u>	<u>204,353</u>
Weighted average number of ordinary shares in issue	('000)	<u>826,793</u>	<u>824,219</u>	<u>825,488</u>	<u>823,675</u>
Basic EPS	(sen)	<u>13.59</u>	<u>10.19</u>	<u>35.10</u>	<u>24.81</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		Cumulative 9 months ended	
		30.9.2019	30.9.2018	30.9.2019	30.9.2018
Owners of the Company (RM'000)		<u>112,340</u>	<u>83,957</u>	<u>289,732</u>	<u>204,353</u>
Weighted average number of ordinary shares in issue	('000)	<u>826,793</u>	<u>824,219</u>	<u>825,488</u>	<u>823,675</u>
Effects of dilution	('000)	<u>4,514</u>	<u>3,158</u>	<u>4,514</u>	<u>3,158</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>831,307</u>	<u>827,377</u>	<u>830,002</u>	<u>826,833</u>
Diluted EPS	(sen)	<u>13.51</u>	<u>10.15</u>	<u>34.91</u>	<u>24.72</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 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	37,010	(7,817)	29,193	27,361	(4,027)	23,334
Provision for IBNR	129,195	(42,880)	86,315	138,380	(34,477)	103,903
Provision for outstanding claims	166,205	(50,697)	115,508	165,741	(38,504)	127,237
Actuarial liabilities	5,537,967	(306,728)	5,231,239	5,020,886	(163,719)	4,857,167
Unallocated surplus	833,673	-	833,673	708,726	-	708,726
Fair value reserves	299,145	-	299,145	27,520	-	27,520
Net asset value attributable to unitholders	240,570	-	240,570	224,724	-	224,724
Participants' fund	6,911,355	(306,728)	6,604,627	5,981,856	(163,719)	5,818,137
	7,077,560	(357,425)	6,720,135	6,147,597	(202,223)	5,945,374

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	30 September 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	335,979	(227,318)	108,661	267,294	(165,838)	101,456
Provision for IBNR	222,246	(105,957)	116,289	200,690	(92,192)	108,498
Provision for outstanding claims	558,225	(333,275)	224,950	467,984	(258,030)	209,954
Provision for unearned contributions	364,892	(62,228)	302,664	376,971	(76,884)	300,087
	923,117	(395,503)	527,614	844,955	(334,914)	510,041
Unallocated surplus	180,591	-	180,591	168,871	-	168,871
Fair value reserves	17,929	-	17,929	2,258	-	2,258
Participants' fund	198,520	-	198,520	171,129	-	171,129
	1,121,637	(395,503)	726,134	1,016,084	(334,914)	681,170

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	30 September 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	372,989	(235,135)	137,854	294,655	(169,865)	124,790
Provision for IBNR	351,441	(148,837)	202,604	339,070	(126,669)	212,401
Provision for outstanding claims	724,430	(383,972)	340,458	633,725	(296,534)	337,191
Provision for unearned contributions	364,892	(62,228)	302,664	376,971	(76,884)	300,087
	1,089,322	(446,200)	643,122	1,010,696	(373,418)	637,278
Actuarial liabilities	5,537,967	(306,728)	5,231,239	5,020,886	(163,719)	4,857,167
Unallocated surplus	1,014,264	-	1,014,264	877,597	-	877,597
Fair value reserves	317,074	-	317,074	29,778	-	29,778
Net asset value attributable to unitholders	203,139	-	203,139	188,621	-	188,621
Participants' fund	7,072,444	(306,728)	6,765,716	6,116,882	(163,719)	5,953,163
	8,161,766	(752,928)	7,408,838	7,127,578	(537,137)	6,590,441

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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	5,665,138	(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)
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

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	1,511,137	(88,054)	1,423,083	334,430	-	334,430	1,845,567	(88,054)	1,757,513
Investment income	207,159	-	207,159	23,497	-	23,497	230,656	-	230,656
Realised gains and (losses)	9,286	-	9,286	2,677	-	2,677	11,963	-	11,963
Fair value gains and (losses)	26,472	-	26,472	880	-	880	27,352	-	27,352
Other operating income	904	-	904	225	-	225	1,129	-	1,129
Net benefits and claims	(666,326)	74,957	(591,369)	(147,252)	-	(147,252)	(813,578)	74,957	(738,621)
Fees deducted (net)	(533,529)	-	(533,529)	(193,909)	-	(193,909)	(727,438)	-	(727,438)
Other operating expenses	(5,760)	-	(5,760)	(109)	-	(109)	(5,869)	-	(5,869)
Tax expense	(8,852)	-	(8,852)	(2,948)	-	(2,948)	(11,800)	-	(11,800)
Excess payment from participants	(103)	-	(103)	-	-	-	(103)	-	(103)
Profit paid to participants	(2,763)	-	(2,763)	(5,771)	-	(5,771)	(8,534)	-	(8,534)
Increase in actuarial liabilities	176,657	(142,224)	34,433	-	-	-	176,657	(142,224)	34,433
Profit attributable to the Takaful Operator	(69,204)	13,097	(56,107)	-	-	-	(70,532)	13,097	(57,435)
Net change in fair value on debt investments at FVOCI	271,626	-	271,626	15,671	-	15,671	287,297	-	287,297
Effect of movement in exchange rates	12,795	(785)	12,010	-	-	-	12,795	(785)	12,010
At 30 September 2019	6,911,355	(306,728)	6,604,627	198,520	-	198,520	7,072,444	(306,728)	6,765,716

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Surplus transfer from:				
Family Takaful Fund	15,207	18,349	56,107	41,447
General Takaful Fund	-	-	-	4,815
Wakalah fee income	256,144	215,481	775,797	612,697
Total Takaful Operator income	<u>271,351</u>	<u>233,830</u>	<u>831,904</u>	<u>658,959</u>

25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Rental income	207	198	1,763	2,284	30	46	704	1,219
Dividend income	(801)	449	1,139	2,934	-	180	338	3,563
Profit income	15,488	11,420	69,729	62,217	8,063	7,522	93,280	81,159
Accretion / (Amortisation)	(190)	(175)	(1,723)	(1,461)	(289)	(322)	(2,202)	(1,958)
Investment expenses	(4)	(84)	(498)	(598)	(11)	(94)	(133)	(730)
	<u>14,700</u>	<u>11,808</u>	<u>70,410</u>	<u>65,376</u>	<u>7,793</u>	<u>7,332</u>	<u>91,987</u>	<u>83,253</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following:

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Rental income	595	601	5,216	6,057	94	223	2,025	2,989
Dividend income	923	834	6,119	7,634	-	381	7,042	8,849
Profit income	40,140	32,197	202,126	179,124	24,269	21,530	266,535	232,851
Accretion / (Amortisation)	(545)	(617)	(4,820)	(4,451)	(832)	(966)	(6,197)	(6,034)
Investment expenses	(58)	(113)	(1,482)	(1,554)	(34)	(108)	(491)	(1,706)
	<u>41,055</u>	<u>32,902</u>	<u>207,159</u>	<u>186,810</u>	<u>23,497</u>	<u>21,060</u>	<u>268,914</u>	<u>236,949</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Service charged and management fee	4,915	2,980	-	-	-	-	7	-
Writeback of allowance for impaired debts	-	-	-	-	2,332	1,223	1,726	1,223
Writeback of credit impairment losses	-	13	-	-	-	-	-	-
Gain from foreign exchange	-	-	-	-	-	5	-	5
Gain on disposal of assets	-	2	-	-	-	-	-	2
Other income	539	121	791	-	172	8	1,502	84
	<u>5,454</u>	<u>3,116</u>	<u>791</u>	<u>-</u>	<u>2,504</u>	<u>1,236</u>	<u>3,235</u>	<u>1,314</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Service charged and management fee	12,734	8,679	-	-	-	-	7	-
Writeback of allowance for impaired financing	91	2	-	-	-	-	91	2
Writeback of allowance for impaired debts	-	-	-	-	-	1,387	-	1,387
Gain on disposal of assets	10	4	-	-	-	-	10	4
Other income	1,145	649	904	-	225	304	2,274	954
	<u>13,980</u>	<u>9,334</u>	<u>904</u>	<u>-</u>	<u>225</u>	<u>1,691</u>	<u>2,382</u>	<u>2,347</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Depreciation	(3,228)	(2,457)	-	-	-	-	(5,269)	(4,162)
Impairment losses	(146)	-	(424)	(284)	(44)	(3)	(614)	(274)
Administration fees	(51,178)	(48,793)	-	-	-	-	(51,178)	(48,793)
Agency related expenses	(19,985)	288	-	-	-	-	(19,985)	288
Allowance for impaired debts	-	-	(606)	(1,732)	-	-	-	(1,732)
Debts written off	-	-	(2)	-	-	-	(2)	-
Other expenses	(132)	(99)	(1,491)	(814)	(7)	(177)	(1,321)	(405)
	<u>(74,668)</u>	<u>(51,061)</u>	<u>(2,523)</u>	<u>(2,830)</u>	<u>(51)</u>	<u>(180)</u>	<u>(78,369)</u>	<u>(55,078)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000	30.9.2019 RM'000	30.9.2018 RM'000
Depreciation	(10,364)	(8,365)	-	-	-	-	(16,437)	(13,517)
Impairment losses	(236)	(11)	(726)	(87)	(73)	(24)	(1,035)	(122)
Administration fees	(162,325)	(135,127)	-	-	-	-	(162,325)	(135,127)
Agency related expenses	(38,774)	(7,536)	-	-	-	-	(38,774)	(7,536)
Allowance for impaired debts	-	-	(2,010)	(563)	(10)	-	(2,020)	(563)
Debts written off	-	-	(340)	(280)	-	-	(340)	(280)
Loss from foreign exchange	-	-	-	-	(3)	(4)	(3)	(4)
Other expenses	(399)	(430)	(2,684)	(2,124)	(23)	(340)	(2,162)	(835)
	<u>(212,098)</u>	<u>(151,469)</u>	<u>(5,760)</u>	<u>(3,054)</u>	<u>(109)</u>	<u>(368)</u>	<u>(223,096)</u>	<u>(157,984)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information

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

30 September 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		
Takaful Operator										
Financial assets										
Equity securities	12,029	-	-	12,029	-	-	-	-	12,029	12,029
Unit trusts	-	6,616	-	6,616	-	-	-	-	6,616	6,616
Institutional Trust Account	-	-	104,891	104,891	-	-	-	-	104,891	104,891
Islamic debt securities	114,605	393,489	-	508,094	-	-	-	-	508,094	508,094
Malaysian Government										
Islamic papers	-	45,128	-	45,128	-	-	-	-	45,128	45,128
Investment in linked funds	37,431	-	-	37,431	-	-	-	-	37,431	37,431
	164,065	445,233	104,891	714,189	-	-	-	-	714,189	714,189

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

30 September 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		
Family Takaful										
Financial assets										
Equity securities	332,902	-	-	332,902	-	-	-	-	332,902	332,902
Unit trusts	31,703	22,860	-	54,563	-	-	-	-	54,563	54,563
Institutional Trust Account	-	-	363,638	363,638	-	-	-	-	363,638	363,638
Islamic debt securities	138,218	3,388,041	-	3,526,259	-	-	-	-	3,526,259	3,526,259
Malaysian Government Islamic papers	-	459,746	-	459,746	-	-	-	-	459,746	459,746
	502,823	3,870,647	363,638	4,737,108	-	-	-	-	4,737,108	4,737,108

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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		
30 September 2019										
General Takaful										
Institutional Trust Account	-	-	56,416	56,416	-	-	-	-	56,416	56,416
Islamic debt securities	-	332,967	-	332,967	-	-	-	-	332,967	332,967
Malaysian Government Islamic papers	-	5,575	-	5,575	-	-	-	-	5,575	5,575
	-	338,542	56,416	394,958	-	-	-	-	394,958	394,958
Group										
Financial assets										
Equity securities	344,931	-	-	344,931	-	-	-	-	344,931	344,931
Unit trusts	31,703	29,476	-	61,179	-	-	-	-	61,179	61,179
Institutional Trust Account	-	-	524,945	524,945	-	-	-	-	524,945	524,945
Islamic debt securities	252,823	4,114,497	-	4,367,320	-	-	-	-	4,367,320	4,367,320
Malaysian Government Islamic papers	-	510,449	-	510,449	-	-	-	-	510,449	510,449
	629,457	4,654,422	524,945	5,808,824	-	-	-	-	5,808,824	5,808,824

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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	19,108	-	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

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	298,905	-	-	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

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	1,199	-	-	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
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	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

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

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	47,000	146,844	12,000	205,844
Maturity	-	(15,842)	-	(15,842)
Gains and losses recognised in profit or loss				
Investment income - realised	2,431	9,513	1,703	13,647
Net change in fair value	319	2,242	110	2,671
At 30 September 2019	104,891	363,638	56,416	524,945

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:

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	30.9.2019 RM'000	31.12.2018 RM'000	30.9.2019 RM'000	31.12.2018 RM'000	30.9.2019 RM'000	31.12.2018 RM'000
Current (not past due)	152,947	74,055	67,877	62,645	220,824	136,700
1-30 days	437	218	333	621	770	839
31-60 days	81	234	147	774	228	1,008
61-90 days	79	1,007	583	286	662	1,293
91-180 days	20,370	79	477	74	20,847	153
> 180 days	1,889	3,236	1,524	1,973	3,413	5,209
	175,803	78,829	70,941	66,373	246,744	145,202

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

29 Additional Information (continued)

Takaful receivables (continued)

The average credit terms of takaful receivables granted to related parties and non-related parties are 6 months from the contractual due date. The recoverability of takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

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

	Family Takaful		General Takaful		Group	
	30.9.2019	31.12.2018	30.9.2019	31.12.2018	30.9.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam Malaysia Berhad	225	171	68	2,469	293	2,640

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

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 September 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 September 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

33 Regulatory capital requirements (continued)

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

	As at 30.9.2019 RM'000	As at 31.12.2018 RM'000
Tier 1 capital	1,629,618	1,399,577
Tier 2 capital	175,236	33,297
Deductions	(210,783)	(231,762)
Total capital available	1,594,071	1,201,112

By Order of the Board

SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Company Secretary (MAICSA 7047477)
Kuala Lumpur, 24 October 2019