

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

The unaudited condensed consolidated 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 condensed consolidated interim 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 condensed consolidated interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 September 2022. 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 condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2021. 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 2021.

The accounting policies and presentation adopted by the Group for the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2021, except for the adoption of the following:

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

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.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the MASB but have not been adopted by the Group:

Standards, amendments to published standards and interpretations to existing standards that are relevant to the Group but not yet effective and have not been early adopted

The Group will apply the new standards, amendments to standards and interpretations in the following period:

Financial year beginning on/after 1 January 2023

- MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* and the related interpretations

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts.

Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

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1 Basis of Preparation (continued)

- MFRS 17 *Insurance Contracts* replaces MFRS 4 *Insurance Contracts* and the related interpretations (continued)

MFRS 17 requires a current measurement model where estimates are re-measured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- (1) Simplified Premium Allocation Approach if the insurance coverage period is a year or less.
- (2) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 17 *Insurance Contracts*

Amendments to MFRS 17 'Insurance Contracts' defers the effective date of MFRS 17 Insurance Contracts. An entity shall apply MFRS 17 and Amendments to MFRS 17 for annual reporting periods beginning on or after 1 January 2023. If an entity applies MFRS 17 earlier, it shall disclose that fact. Early application is permitted for entities that apply MFRS 9 Financial Instruments on or before the date of initial application of MFRS 17.

The Group is in the process of assessing the financial impact onto the Group's financial statements.

- Amendments to MFRS 101 *Classification of liabilities as current or non-current*

Amendments to MFRS 101 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

A liability is classified as current if a condition is breached at or before the reporting date and a waiver is obtained after the reporting date. A loan is classified as non-current if a covenant is breached after the reporting date.

The amendments shall be applied retrospectively.

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2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2021 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 2022.

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 29 April 2022, the Company allotted and issued 1,683,360 new ordinary shares pursuant to the Long-Term Incentive Plan ("LTIP").

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

7 Dividends

The Company on 14 December 2021 declared an interim single tier dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2021 which was paid on 17 January 2022.

No dividend was declared for the current quarter under review.

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8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
9 months ended 30 September 2022			
Revenue from external participants	2,647,802	105,933	2,753,735
Profit / (Loss) before zakat and taxation	366,595	(331)	366,264
As at 30 September 2022			
Segment assets by location of assets	12,418,564	554,089	12,972,653
Segment liabilities by location of liabilities	10,461,090	472,297	10,933,387
9 months ended 30 September 2021			
Revenue from external participants	2,209,055	91,966	2,301,021
Profit before zakat and taxation	297,071	1,519	298,590
As at 30 September 2021			
Segment assets by location of assets	11,680,746	532,048	12,212,794
Segment liabilities by location of liabilities	9,968,874	455,336	10,424,210

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 2021.

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 unaudited condensed consolidated 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 audited financial statement as at and for the year ended 31 December 2021.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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		
	30.9.2022	30.9.2021	Changes	30.9.2022	30.9.2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	924,417	684,317	35%	2,753,735	2,301,021	20%
Gross earned contributions	851,192	633,126	34%	2,373,086	1,973,372	20%
Profit before zakat and tax	137,563	88,432	56%	366,264	298,590	23%
Profit after zakat and tax	87,227	72,741	20%	243,542	255,690	-5%
Profit attributable to owners of the Company	87,268	72,602	20%	243,661	255,287	-5%

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

Operating revenue

The Group recorded operating revenue of RM2,753.7 million for the financial period ended 30 September 2022, higher by 20% as compared to RM2,301.0 million in the same period of the preceding year. The increase was mainly attributable to higher sales from both Family Takaful and General Takaful businesses.

Profit before zakat and tax

For the 9 months period ended 30 September 2022, the Group recorded profit before zakat and tax of RM366.3 million, higher by 23% as compared to RM298.6 million in the same period of the preceding year. This was mainly attributable to higher net wakalah fee income.

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14 Review of Performance (continued)

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

Profit after zakat and tax

For the 9 months period ended 30 September 2022, the Group recorded profit after zakat and tax of RM243.5 million, lower as compared to RM255.7 million in the same period of the preceding year despite the higher profit before zakat and tax. This was mainly attributable to higher tax expense arising from the imposition of "Cukai Makmur" for chargeable income in excess of RM100 million tax at 33% and change in tax act on adjusted income for Shareholder's fund of Family Takaful business whereby wakalah fees or any other fees received by the Shareholder's fund in relation to Family Takaful fund are taxable and correspondingly, expenses relating to wakalah fees or any other fees incurred in relation to the fees from both Family Takaful fund are allowed as deduction under the shareholders' fund effective from YA 2022.

Family Takaful

Family Takaful business generated gross earned contributions of RM1,632.0 million for the 9 months period ended 30 September 2022, higher by 22% as compared to RM1,339.6 million in the corresponding period last year. This was mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business increased to RM724.9 million in the 9 months period ended 30 September 2022 from RM550.1 million in the same period of the preceding year. The increase was mainly attributable to higher death claims and surrender claims.

Investment income for the Family Takaful business increased by 8% to RM230.0 million in the 9 months period ended 30 September 2022 as compared to RM213.4 million in the same period of the preceding year, mainly due to higher profit income from fixed income investment.

For the 9 months period ended 30 September 2022, Family Takaful recorded fair value losses of RM72.7 million as compared to fair value gains of RM9.8 million in the same period of the preceding year. The fair value losses were mainly due to equity market performance.

General Takaful

General Takaful business generated gross earned contributions of RM742.6 million for the 9 months period ended 30 September 2022, higher by 17% as compared to RM633.5 million in the same period of the preceding year. The growth was mainly attributable to motor, fire, engineering and liability class of business.

The net benefits and claims for General Takaful business increased to RM213.1 million in the 9 months period ended 30 September 2022 from RM156.6 million in the same period of the preceding year, mainly due to higher motor claims.

The investment income for the 9 months period ended 30 September 2022 was RM25.3 million, higher by 16% as compared to the same period of the preceding year of RM21.8 million, mainly due to higher profit income from fixed income investment.

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NOTES TO THE CONDENSED CONSOLIDATED 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 2022, the Group generated operating revenue of RM924.4 million, increased by 35%, as compared to RM684.3 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated from Family Takaful and General Takaful businesses.

Profit before zakat and tax

For the third quarter ended 30 September 2022, the Group recorded profit before zakat and tax of RM137.6 million, higher by 56% as compared to RM88.4 million in the same period last year. This was mainly attributable to higher net wakalah fee income.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM594.6 million, higher by 43%, as compared to RM414.7 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 RM213.4 million, higher as compared to RM189.9 million in the corresponding quarter of preceding year. The increase was mainly due to higher surrender and medical claims.

Investment income for the Family Takaful business for the current year quarter of RM81.0 million, higher by 11% as compared to RM73.1 million in the corresponding quarter last year, mainly due to higher profit income from fixed income investment.

For the current quarter under review, Family Takaful recorded fair value losses of RM4.2 million, as compared to fair value gains of RM13.6 million in same period last year. The fair value losses were mainly due to equity market performance.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM257.5 million, increased by 18% as compared to RM218.4 million in the corresponding quarter of preceding year. The growth was mainly attributable to fire, motor and engineering classes.

General Takaful business recorded net benefits and claims of RM85.0 million for the quarter under review, increased as compared to RM47.3 million in the corresponding quarter of preceding year. The increase was mainly due to higher motor claims.

Investment income for the General Takaful business of RM9.2 million, higher by 24% as compared to RM7.4 million in the corresponding quarter of preceding year. The increase was mainly due to higher profit from fixed income investments.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Review of Performance (continued)

14.3 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM105.9 million, higher by 15% as compared to RM92.0 million in the same period of the preceding year. The gross earned contribution recorded at RM92.9 million, higher by 18% as compared to RM78.4 million in the same period of preceding year.

The Indonesian operations recorded loss before zakat and tax of RM0.3 million for the 9 months period ended 30 September 2022, as compared to profit before zakat and tax of RM1.5 million in the same period of preceding year, mainly attributable to lower surplus transfer from Takaful fund and lower other income. The Takaful industry in Indonesia is anticipated to continue experiencing challenges due to financial market volatility in addition to the economic conditions and intense competition from some of the shariah insurance windows that have been fully spun-off.

14.4 Review of Statements of Financial Position

As at 30 September 2022, total assets of RM12,972.7 million were higher as compared to RM12,708.8 million as at 31 December 2021, mainly attributable to higher other investments and cash and cash equivalents, but partially offset by the lower loans and receivables, excluding takaful receivables.

Other investments increased by 9% from RM7,536.3 million to RM8,225.3 million as at 30 September 2022, mainly attributable to the increase in Islamic debts securities and Malaysian Government Islamic Papers. The increase was mainly attributable to new purchases of sukuk.

Cash and cash equivalents increased from RM846.9 million to RM1,548.9 million mainly due to higher placement in fixed and call deposits at licensed institutions with maturity less than 3 months.

Loans and receivables, excluding takaful receivables decreased from RM2,262.6 million to RM1,067.1 million as at 30 September 2022, mainly attributable to lower placement in fixed and call deposits at licenced institutions with maturity more than 3 months.

Total liabilities increased to RM10,933.4 million as at 30 September 2022 as compared to RM10,866.5 million as at 31 December 2021, which was mainly attributable to the increase in Takaful contract liabilities, but partially offset by lower other payables.

Takaful contract liabilities increased from RM9,786.3 million as at 31 December 2021 to RM10,008.8 million as at 30 September 2022. The increase was due to the higher provision for outstanding claims.

Other payables decreased from RM442.2 million as at 31 December 2021 to RM341.9 million as at 30 September 2022, mainly due to settlement of dividend payable of RM100.3 million.

Shareholders' equity increased by 11% to RM2,039.3 million as at 30 September 2022. This is mainly attributed to the net profit generated during the financial year of RM243.5 million.

14.4 Review of Statements of Cash flows

For the third quarter ended 30 September 2022, the Group's cash flow position of RM1,548.9 million is healthy and strong. The ratio of cash flow from operating activities to profit for the financial year was 221.1%, which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

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15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30.9.2022 RM'000	Immediate Preceding Quarter 30.6.2022 RM'000	Changes %
Operating revenue	924,417	831,926	11%
Gross earned contributions	851,192	737,951	15%
Profit before zakat and tax	137,563	107,151	28%
Profit after zakat and tax	87,227	69,734	25%
Profit attributable to owners of the Company	87,268	69,619	25%

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM924.4 million, higher by 11% as compared to RM831.9 million in the immediate preceding quarter. The increase was mainly attributable to higher sales generated from Family Takaful and General Takaful businesses.

Profit before zakat and tax

For the current quarter under review, the Group recorded profit before zakat and taxation of RM137.6 million, 28% higher as compared to the immediate preceding quarter of RM107.2 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 RM594.6 million, as compared to RM506.1 million in the immediate preceding quarter. The increase was mainly attributable to higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM213.4 million, decreased by 1% as compared to the immediate preceding quarter of RM215.9 million. The decrease was mainly attributable to lower death claims during the period.

For the current quarter under review, Family Takaful business recorded investment income of RM81.0 million, higher by 7% as compared to the immediate preceding quarter of RM75.4 million. The increase was mainly attributable to higher profit income from investment on Islamic debt securities.

For the current quarter under review, Family Takaful recorded fair value losses of RM4.2 million, improved as compared to fair value losses of RM32.9 million in the immediate preceding quarter. The fair value losses were mainly due to equity market performance.

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NOTES TO THE CONDENSED CONSOLIDATED 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 RM257.5 million, higher by 11% as compared to RM232.6 million in the immediate preceding quarter. The increase was mainly contributed to higher sales from motor and engineering class.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM85.0 million, higher as compared to RM70.9 million in the immediate preceding quarter. The increase was mainly due to higher claims relating to motor and fire class.

For the current quarter under review, General Takaful business recorded investment income of RM9.2 million for the quarter, higher by 13% as compared to the investment income of RM8.2 million in the immediate preceding quarter. The increase was mainly attributable to higher profit income from investment on Islamic debt securities

16 Current Year Prospects

The Malaysian economy registered stronger growth in the second quarter of 2022, boosted by expansion in domestic demand and resilient exports. The World Bank raised Malaysia's 2022 economic growth forecast, supported by solid fundamentals and domestic demand underpinned by continued improvements in labour market conditions. Despite Malaysia's prospects for a more robust economic recovery, the outlook is still subject to significant uncertainty of the global economic slowdown, tightening of monetary policy and inflationary pressures. However, the Group will remain vigilant and prudent in managing operating costs, business growth and the risk profile of our business portfolio.

Our solid financial fundamentals and strong operational resilience have enabled us to continue with good business performance during and after the pandemic. The Group's commendable business performance for the first 3 quarters of 2022 is growing at a great momentum post-pandemic due to high sales from credit-related products (particularly from the personal financing segment) and general takaful products such as fire and motor takaful. Thus, Takaful Malaysia is looking at further business growth from our multi-distribution strategy and strategic direction to strengthen our presence in the retail market, providing Malaysians with greater access to more affordable regular contribution protection products.

We have accelerated the development of our Bancatakaful advisory distribution with our major Bancatakaful partners and the development of direct and digital distribution of affordable regular contribution protection products with various business partners that give us direct access to a large customer base to market protection products. Recently, we have launched a new brand campaign, "Dihatiku Takaful Malaysia", together with product marketing campaigns in our effort to expand our retail market business. We will continue embracing new digital technologies to support excellent customer experience and product innovation.

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16 Current Year Prospects (continued)

The General Takaful business continues to support the business growth and profit for the Group. But, the Group will continue to strike the right balance between underwriting margins and business growth to penetrate the market further and gain a leading position among key industry players. The Group will continue to expand its online and agency motor customer base to drive the growth of the motor takaful business. With the recent launch of online motor takaful for motorcycles, we anticipate greater diversification of the motor takaful portfolio for a better underwriting experience. With great success in recent years, we will continue with our business expansion strategy to penetrate the market served by the conventional general insurance players.

With both family and general takaful licenses, the Group will be able to create greater synergy and a competitive edge to provide comprehensive takaful solutions in marketing and securing business from our clients.

It is the Group's commitment to the Takaful industry's initiative on Value-based Intermediation ("VBI") to unlock the potential of the Takaful Industry towards a Sustainable Finance Ecosystem and spur creativity and encourage innovation to deliver positive and meaningful impacts. We have adopted an integrated and inter-disciplinary approach to managing climate-related risks, focusing on 4 key areas (namely, Products & Services, Business Process & Culture, Investment, Social and Community). Particularly, our products, services, business practices, and investment strategies are aligned to generate sustainable impacts on the economy, community, and environment.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

18 Taxation

	3 months ended		Cumulative 9 months ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Current financial period	47,662	15,540	119,279	43,277
- Under provision in prior year	1,431	-	1,431	424
Deferred tax expense:				
- Current financial period	(3,057)	(164)	(2,896)	(1,751)
Total tax expense	<u>46,036</u>	<u>15,376</u>	<u>117,814</u>	<u>41,950</u>

- 18.1 The effective tax rate is higher than the statutory tax rate for the current financial period due to higher non-deductible expenses as well as the imposition of Cukai Makmur for Year of Assessment 2022.

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18 Taxation (continued)

18.2 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 court mention was fixed on 17 August 2022. However, the mention was postponed to later date and the next court mention is fixed on 7 November 2022.

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 2022.

21 Material Litigation

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

22 Earnings per Share

Basic earnings per share ("Basic EPS")

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

	3 months ended		Cumulative 9 months ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
Owners of the Company (RM'000)	87,268	72,602	243,661	255,287
Weighted average number of ordinary shares in issue ('000)	836,824	835,622	836,278	833,905
Basic EPS (sen)	10.43	8.69	29.14	30.61

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22 Earnings per Share (continued)

Diluted earnings per share (“Diluted EPS”)

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

		3 months ended		Cumulative 9 months ended	
		30.9.2022	30.9.2021	30.9.2022	30.9.2021
Owners of the Company (RM'000)		<u>87,268</u>	<u>72,602</u>	<u>243,661</u>	<u>255,287</u>
Weighted average number of ordinary shares in issue	('000)	836,824	835,622	836,278	833,905
Effects of dilution	('000)	<u>1,046</u>	<u>1,434</u>	<u>1,046</u>	<u>1,434</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>837,870</u>	<u>837,056</u>	<u>837,324</u>	<u>835,339</u>
Diluted EPS	(sen)	<u>10.42</u>	<u>8.67</u>	<u>29.10</u>	<u>30.56</u>

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 2022			31 December 2021		
	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	53,110	(20,433)	32,677	75,152	(25,074)	50,078
Provision for IBNR	174,796	(64,929)	109,867	144,779	(58,036)	86,743
Provision for outstanding claims	227,906	(85,362)	142,544	219,931	(83,110)	136,821
Participants' account	4,935,798	-	4,935,798	4,587,267	-	4,587,267
Actuarial liabilities	1,832,627	(363,300)	1,469,327	1,852,988	(363,429)	1,489,559
Unallocated surplus	1,355,041	-	1,355,041	1,297,390	-	1,297,390
Fair value reserves	(275,967)	-	(275,967)	56,374	-	56,374
Net asset value attributable to unitholders	203,390	-	203,390	220,249	-	220,249
Participants' fund	8,050,889	(363,300)	7,687,589	8,014,268	(363,429)	7,650,839
	8,278,795	(448,662)	7,830,133	8,234,199	(446,539)	7,787,660

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	30 September 2022			31 December 2021		
	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	734,737	(522,571)	212,166	544,467	(400,969)	143,498
Provision for IBNR	305,518	(152,410)	153,108	320,964	(166,608)	154,356
Provision for outstanding claims	1,040,255	(674,981)	365,274	865,431	(567,577)	297,854
Provision for unearned contributions	521,615	(130,353)	391,262	504,871	(141,895)	362,976
	1,561,870	(805,334)	756,536	1,370,302	(709,472)	660,830
Unallocated surplus	206,834	-	206,834	220,714	-	220,714
Fair value reserves	(13,431)	-	(13,431)	3,251	-	3,251
Participants' fund	193,403	-	193,403	223,965	-	223,965
	1,755,273	(805,334)	949,939	1,594,267	(709,472)	884,795

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	30 September 2022			31 December 2021		
	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	787,847	(543,004)	244,843	619,619	(426,043)	193,576
Provision for IBNR	480,314	(217,339)	262,975	465,743	(224,644)	241,099
Provision for outstanding claims	1,268,161	(760,343)	507,818	1,085,362	(650,687)	434,675
Provision for unearned contributions	521,615	(130,353)	391,262	504,871	(141,895)	362,976
	<u>1,789,776</u>	<u>(890,696)</u>	<u>899,080</u>	<u>1,590,233</u>	<u>(792,582)</u>	<u>797,651</u>
Participants' account	4,935,798	-	4,935,798	4,587,267	-	4,587,267
Actuarial liabilities	1,832,627	(363,300)	1,469,327	1,852,988	(363,429)	1,489,559
Unallocated surplus	1,561,875	-	1,561,875	1,518,104	-	1,518,104
Fair value reserves	(289,398)	-	(289,398)	59,625	-	59,625
Net asset value attributable to unitholders	178,168	-	178,168	178,109	-	178,109
Participants' fund	<u>8,219,070</u>	<u>(363,300)</u>	<u>7,855,770</u>	<u>8,196,093</u>	<u>(363,429)</u>	<u>7,832,664</u>
	<u>10,008,846</u>	<u>(1,253,996)</u>	<u>8,754,850</u>	<u>9,786,326</u>	<u>(1,156,011)</u>	<u>8,630,315</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED 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 2021	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662
Net earned contributions	1,887,429	(132,107)	1,755,322	487,446	-	487,446	2,374,875	(132,107)	2,242,768
Investment income on financial assets not measured at FVTPL	257,915	-	257,915	29,500	-	29,500	287,415	-	287,415
Investment income - others	30,564	-	30,564	78	-	78	30,642	-	30,642
Realised gains and losses	24,964	-	24,964	387	-	387	25,351	-	25,351
Fair value gains and losses	17,792	-	17,792	70	-	70	17,862	-	17,862
Other operating income	203	-	203	41	-	41	244	-	244
Net benefits and claims	(908,692)	156,477	(752,215)	(212,698)	-	(212,698)	(1,121,390)	156,477	(964,913)
Fees deducted (net)	(612,711)	-	(612,711)	(240,615)	-	(240,615)	(853,326)	-	(853,326)
Impairment losses on financial instruments	(7,422)	-	(7,422)	(3,726)	-	(3,726)	(11,148)	-	(11,148)
Other operating expenses	(2,706)	-	(2,706)	(653)	-	(653)	(3,359)	-	(3,359)
Profit paid to participants	(8,471)	-	(8,471)	(9,954)	-	(9,954)	(18,425)	-	(18,425)
Movement in actuarial liabilities	7,393	(16,755)	(9,362)	-	-	-	7,393	(16,755)	(9,362)
Profit attributable to the Takaful Operator	(39,049)	(24,370)	(63,419)	(31,589)	-	(31,589)	(71,070)	(24,370)	(95,440)
Excess payment from participants	(57)	-	(57)	-	-	-	(57)	-	(57)
Net change in fair value on debt instruments at FVOCI	(269,798)	-	(269,798)	(16,905)	-	(16,905)	(286,523)	-	(286,523)
Tax expense	(11,516)	-	(11,516)	(5,938)	-	(5,938)	(17,454)	-	(17,454)
Withholding tax paid	(8,552)	-	(8,552)	(652)	-	(652)	(9,204)	-	(9,204)
Effect of movement in exchange rates	5,665	(554)	5,111	-	-	-	5,485	(554)	4,931
At 31 December 2021	8,014,268	(363,429)	7,650,839	223,965	-	223,965	8,196,093	(363,429)	7,832,664

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED 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 2022	8,014,268	(363,429)	7,650,839	223,965	-	223,965	8,196,093	(363,429)	7,832,664
Net earned contributions	1,632,048	(124,819)	1,507,229	409,952	-	409,952	2,042,000	(124,819)	1,917,181
Investment income on financial assets not measured at FVTPL	208,862	-	208,862	25,280	-	25,280	234,142	-	234,142
Investment income - others	21,145	-	21,145	(20)	-	(20)	21,125	-	21,125
Realised gains and losses	11,828	-	11,828	1,190	-	1,190	13,018	-	13,018
Fair value gains and losses	(72,700)	-	(72,700)	-	-	-	(72,700)	-	(72,700)
Other operating income	1,739	-	1,739	171	-	171	1,910	-	1,910
Net benefits and claims	(857,486)	132,567	(724,919)	(213,051)	-	(213,051)	(1,070,537)	132,567	(937,970)
Fees deducted (net)	(566,097)	-	(566,097)	(229,536)	-	(229,536)	(795,633)	-	(795,633)
Impairment losses on financial instruments	(7,277)	-	(7,277)	(1,458)	-	(1,458)	(8,735)	-	(8,735)
Other operating expenses	(2,551)	-	(2,551)	49	-	49	(2,502)	-	(2,502)
Profit paid to participants	(15,855)	-	(15,855)	(7,961)	-	(7,961)	(23,816)	-	(23,816)
Movement in actuarial liabilities	49,065	1,790	50,855	-	-	-	49,065	1,790	50,855
Profit attributable to the Takaful Operator	(28,374)	(7,748)	(36,122)	-	-	-	(11,456)	(7,748)	(19,204)
Excess payment from participants	4,482	-	4,482	-	-	-	4,482	-	4,482
Net change in fair value on debt instruments at FVOCI	(332,340)	-	(332,340)	(16,682)	-	(16,682)	(349,022)	-	(349,022)
Repayment of seed capital	(13,000)	-	(13,000)	-	-	-	(13,000)	-	(13,000)
Reversal of tax expense	(2,670)	-	(2,670)	2,216	-	2,216	(454)	-	(454)
Withholding tax paid	(9,223)	-	(9,223)	(712)	-	(712)	(9,935)	-	(9,935)
Effect of movement in exchange rates	15,025	(1,661)	13,364	-	-	-	15,025	(1,661)	13,364
At 30 September 2022	8,050,889	(363,300)	7,687,589	193,403	-	193,403	8,219,070	(363,300)	7,855,770

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 9 months ended	
	30.9.2022	30.9.2021	30.9.2022	30.9.2021
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	18,036	17,524	36,122	49,458
General Takaful Fund	-	2,509	-	7,295
Wakalah fee income	296,459	206,057	863,005	684,976
Total Takaful Operator income	<u>314,495</u>	<u>226,090</u>	<u>899,127</u>	<u>741,729</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	20,218	15,901	75,685	67,659	9,550	7,743	105,453	91,303
Accretion / (Amortisation)	(450)	(373)	(2,031)	(1,970)	(263)	(219)	(2,744)	(2,562)
	<u>19,768</u>	<u>15,528</u>	<u>73,654</u>	<u>65,689</u>	<u>9,287</u>	<u>7,524</u>	<u>102,709</u>	<u>88,741</u>
<u>Investment income - others</u>								
Rental income	215	199	1,276	1,273	(23)	(16)	988	945
Dividend income	97	38	2,568	1,715	-	-	2,665	1,753
Profit income	1,057	885	3,924	4,985	-	-	4,981	5,870
Accretion / (Amortisation)	(1)	1	2	5	-	-	1	6
Investment expenses	(1)	(1)	(422)	(535)	(72)	(70)	(85)	(151)
	<u>1,367</u>	<u>1,122</u>	<u>7,348</u>	<u>7,443</u>	<u>(95)</u>	<u>(86)</u>	<u>8,550</u>	<u>8,423</u>
	<u>21,135</u>	<u>16,650</u>	<u>81,002</u>	<u>73,132</u>	<u>9,192</u>	<u>7,438</u>	<u>111,259</u>	<u>97,164</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	55,228	44,215	214,824	196,364	26,014	22,338	296,066	262,917
Accretion / (Amortisation)	(1,344)	(904)	(5,962)	(5,523)	(734)	(597)	(8,040)	(7,024)
	<u>53,884</u>	<u>43,311</u>	<u>208,862</u>	<u>190,841</u>	<u>25,280</u>	<u>21,741</u>	<u>288,026</u>	<u>255,893</u>
<u>Investment income - others</u>								
Rental income	636	609	4,701	5,155	80	127	3,447	3,846
Dividend income	213	137	6,614	5,030	-	-	6,827	5,167
Profit income	2,908	2,432	11,583	14,215	-	-	14,491	16,647
Accretion / (Amortisation)	2	4	7	9	-	-	9	13
Investment expenses	(70)	(66)	(1,760)	(1,839)	(100)	(95)	(639)	(657)
	<u>3,689</u>	<u>3,116</u>	<u>21,145</u>	<u>22,570</u>	<u>(20)</u>	<u>32</u>	<u>24,135</u>	<u>25,016</u>
	<u>57,573</u>	<u>46,427</u>	<u>230,007</u>	<u>213,411</u>	<u>25,260</u>	<u>21,773</u>	<u>312,161</u>	<u>280,909</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Realised gains and losses

The realised gains and losses 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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Realised gains and losses</u> <u>arising from:</u>								
Property and equipment	56	-	-	-	-	-	56	-
FVOCI financial assets:								
- Islamic debt securities (unquoted in Malaysia)	1,027	-	3,392	4,120	634	-	5,053	4,120
- Malaysian Government Islamic paper	573	-	4,493	1,466	-	-	5,066	1,466
	<u>1,600</u>	<u>-</u>	<u>7,885</u>	<u>5,586</u>	<u>634</u>	<u>-</u>	<u>10,119</u>	<u>5,586</u>
	<u>1,656</u>	<u>-</u>	<u>7,885</u>	<u>5,586</u>	<u>634</u>	<u>-</u>	<u>10,175</u>	<u>5,586</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Realised gains and losses (continued)

The realised gains and losses 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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Realised gains and losses</u> <u>arising from:</u>								
Property and equipment	64	-	-	-	-	-	64	-
FVOCI financial assets:								
- Islamic debt securities (unquoted in Malaysia)	1,868	-	7,335	10,385	1,190	-	10,393	10,385
- Malaysian Government Islamic paper	573	-	4,493	3,256	-	-	5,066	3,256
	<u>2,441</u>	<u>-</u>	<u>11,828</u>	<u>13,641</u>	<u>1,190</u>	<u>-</u>	<u>15,459</u>	<u>13,641</u>
	<u>2,505</u>	<u>-</u>	<u>11,828</u>	<u>13,641</u>	<u>1,190</u>	<u>-</u>	<u>15,523</u>	<u>13,641</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Financial assets not measured at FVTPL	-	-	-	-	406	-	-	-
	-	-	-	-	406	-	-	-
<u>Other operating income</u>								
Service charged and management fee	6,911	3,870	-	-	-	-	-	-
Other income	456	558	-	-	180	7	380	-
	7,367	4,428	-	-	180	7	380	-
	7,367	4,428	-	-	586	7	380	-

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Other operating income</u>								
Service charged and management fee	19,838	15,418	-	-	-	-	-	-
Other income	1,731	2,506	1,739	98	220	41	3,641	2,645
	<u>21,569</u>	<u>17,924</u>	<u>1,739</u>	<u>98</u>	<u>220</u>	<u>41</u>	<u>3,641</u>	<u>2,645</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(307)	1,035	-	(1,105)	478	(70)
- Financial assets not measured at FVTPL	(266)	(1,053)	(1,352)	(5,416)	-	(1,370)	(1,996)	(7,839)
	<u>(266)</u>	<u>(1,053)</u>	<u>(1,658)</u>	<u>(4,381)</u>	<u>-</u>	<u>(2,475)</u>	<u>(1,518)</u>	<u>(7,909)</u>
<u>Other operating expenses</u>								
Agency related expenses	(1,302)	(3,087)	-	-	-	-	(1,302)	(3,087)
Debts written off	-	-	-	(15)	-	-	-	(15)
Loss on disposal of assets	-	(15)	-	-	-	-	-	(15)
Other expenses	(250)	(9)	(997)	(1,460)	-	(55)	(446)	(1,594)
	<u>(1,552)</u>	<u>(3,111)</u>	<u>(997)</u>	<u>(1,475)</u>	<u>-</u>	<u>(55)</u>	<u>(1,748)</u>	<u>(4,711)</u>
	<u>(1,818)</u>	<u>(4,164)</u>	<u>(2,655)</u>	<u>(5,856)</u>	<u>-</u>	<u>(2,530)</u>	<u>(3,266)</u>	<u>(12,620)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 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	
	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000	30.9.2022 RM'000	30.9.2021 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(648)	(585)	(573)	(2,130)	(1,221)	(2,715)
- Financial assets not measured at FVTPL	(995)	(964)	(6,629)	(7,620)	(885)	(1,632)	(8,509)	(10,216)
	<u>(995)</u>	<u>(964)</u>	<u>(7,277)</u>	<u>(8,205)</u>	<u>(1,458)</u>	<u>(3,762)</u>	<u>(9,730)</u>	<u>(12,931)</u>
<u>Other operating expenses</u>								
Agency related expenses	(4,290)	(11,006)	-	-	-	-	(4,290)	(11,006)
Debts written off	-	-	-	(17)	-	-	-	(17)
Loss on disposal of assets	(6)	(15)	-	-	-	-	(6)	(15)
Other expenses	(851)	(711)	(2,551)	(2,007)	-	(109)	(1,794)	(4,777)
	<u>(5,147)</u>	<u>(11,732)</u>	<u>(2,551)</u>	<u>(2,024)</u>	<u>-</u>	<u>(109)</u>	<u>(6,090)</u>	<u>(15,815)</u>
	<u>(6,142)</u>	<u>(12,696)</u>	<u>(9,828)</u>	<u>(10,229)</u>	<u>(1,458)</u>	<u>(3,871)</u>	<u>(15,820)</u>	<u>(28,746)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 Profit before tax

Profit before tax for the quarter under review is arrived at after charging:

	Takaful Operator 3 months ended		Group 3 months ended		Takaful Operator 9 months ended		Group 9 months ended	
	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000	30.09.2022 RM'000	30.09.2021 RM'000
Depreciation of property and equipment	(1,903)	(2,488)	(2,421)	(2,831)	(6,134)	(7,313)	(7,670)	(8,525)
Depreciation of right-of-use assets	(399)	(842)	(399)	(842)	(1,307)	(2,461)	(1,307)	(2,461)
Amortisation of intangible assets	<u>(11,978)</u>	<u>(10,870)</u>	<u>(11,978)</u>	<u>(10,870)</u>	<u>(34,657)</u>	<u>(30,826)</u>	<u>(34,657)</u>	<u>(30,826)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information

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

30 September 2022	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	7,590	-	380	7,970	-	-	-	-	7,970	7,970
Unit trusts	633	7,208	-	7,841	-	-	-	-	7,841	7,841
Institutional Trust Account	-	-	73,130	73,130	-	-	-	-	73,130	73,130
Islamic debt securities	38,153	1,188,178	-	1,226,331	-	-	-	-	1,226,331	1,226,331
Malaysian Government Islamic papers	-	97,990	-	97,990	-	-	-	-	97,990	97,990
Investment in linked funds	25,222	-	-	25,222	-	-	-	-	25,222	25,222
	71,598	1,293,376	73,510	1,438,484	-	-	-	-	1,438,484	1,438,484

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

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

30 September 2022	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	248,942	-	-	248,942	-	-	-	-	248,942	248,942
Unit trusts	92,698	29,771	-	122,469	-	-	-	-	122,469	122,469
Institutional Trust Account	-	-	379,023	379,023	-	-	-	-	379,023	379,023
Islamic debt securities	145,137	4,856,595	-	5,001,732	-	-	-	-	5,001,732	5,001,732
Malaysian Government Islamic papers	-	442,794	-	442,794	-	-	-	-	442,794	442,794
	486,777	5,329,160	379,023	6,194,960	-	-	-	-	6,194,960	6,194,960

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

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

30 September 2022	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Institutional Trust Account	-	-	55,526	55,526	-	-	-	-	55,526	55,526
Islamic debt securities	-	507,571	-	507,571	-	-	-	-	507,571	507,571
Malaysian Government Islamic papers	-	53,984	-	53,984	-	-	-	-	53,984	53,984
	-	561,555	55,526	617,081	-	-	-	-	617,081	617,081
Group										
Financial assets										
Equity securities	256,532	-	380	256,912	-	-	-	-	256,912	256,912
Unit trusts	93,331	36,979	-	130,310	-	-	-	-	130,310	130,310
Institutional Trust Account	-	-	507,679	507,679	-	-	-	-	507,679	507,679
Islamic debt securities	183,290	6,552,344	-	6,735,634	-	-	-	-	6,735,634	6,735,634
Malaysian Government Islamic papers	-	594,768	-	594,768	-	-	-	-	594,768	594,768
	533,153	7,184,091	508,059	8,225,303	-	-	-	-	8,225,303	8,225,303

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 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 2021										
Takaful Operator										
Financial assets										
Equity securities	8,046	-	380	8,426	-	-	-	-	8,426	8,426
Unit trusts	507	4,862	-	5,369	-	-	-	-	5,369	5,369
Institutional Trust Account	-	-	86,977	86,977	-	-	-	-	86,977	86,977
Islamic debt securities	24,373	1,007,347	-	1,031,720	-	-	-	-	1,031,720	1,031,720
Malaysian Government Islamic papers	-	73,572	-	73,572	-	-	-	-	73,572	73,572
Investment in linked funds	42,140	-	-	42,140	-	-	-	-	42,140	42,140
	75,066	1,085,781	87,357	1,248,204	-	-	-	-	1,248,204	1,248,204

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

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

31 December 2021	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	295,706	-	-	295,706	-	-	-	-	295,706	295,706
Unit trusts	115,694	33,530	-	149,224	-	-	-	-	149,224	149,224
Institutional Trust Account	-	-	471,247	471,247	-	-	-	-	471,247	471,247
Islamic debt securities	131,291	4,487,549	-	4,618,840	-	-	-	-	4,618,840	4,618,840
Malaysian Government Islamic papers	-	392,073	-	392,073	-	-	-	-	392,073	392,073
	542,691	4,913,152	471,247	5,927,090	-	-	-	-	5,927,090	5,927,090

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Fair Value Information (continued)

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

31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Institutional Trust Account	-	-	59,550	59,550	-	-	-	-	59,550	59,550
Islamic debt securities	-	333,745	-	333,745	-	-	-	-	333,745	333,745
Malaysian Government Islamic papers	-	9,892	-	9,892	-	-	-	-	9,892	9,892
	-	343,637	59,550	403,187	-	-	-	-	403,187	403,187
Group										
Financial assets										
Equity securities	303,752	-	380	304,132	-	-	-	-	304,132	304,132
Unit trusts	116,201	38,392	-	154,593	-	-	-	-	154,593	154,593
Institutional Trust Account	-	-	617,774	617,774	-	-	-	-	617,774	617,774
Islamic debt securities	155,664	5,828,641	-	5,984,305	-	-	-	-	5,984,305	5,984,305
Malaysian Government Islamic papers	-	475,537	-	475,537	-	-	-	-	475,537	475,537
	575,617	6,342,570	618,154	7,536,341	-	-	-	-	7,536,341	7,536,341

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 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. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 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
Institutional Trust Account				
At 1 January 2021	107,046	487,171	58,269	652,486
Maturity	(23,980)	(31,407)	-	(55,387)
Gains recognised in profit or loss				
Investment income - realised	5,223	22,127	2,426	29,776
Net change in fair value	(1,312)	(6,644)	(1,145)	(9,101)
At 31 December 2021 / 1 January 2022	86,977	471,247	59,550	617,774
Maturity	(16,478)	(105,471)	(6,669)	(128,618)
Gains recognised in profit or loss				
Investment income – realised	2,732	13,393	1,598	17,723
Net change in fair value	(101)	(146)	1,047	800
At 30 September 2022	73,130	379,023	55,526	507,679

31 Additional Information

Takaful receivables

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

	Family Takaful		General Takaful		Group	
	30.9.2022 RM'000	31.12.2021 RM'000	30.9.2022 RM'000	31.12.2021 RM'000	30.9.2022 RM'000	31.12.2021 RM'000
<u>Days past due</u>						
Current (not past due)	221,807	190,030	86,473	141,090	308,280	331,120
1-30 days	496	261	347	113	843	374
31-60 days	706	2,312	402	112	1,108	2,424
61-90 days	635	365	933	357	1,568	722
91-180 days	9,143	3,360	1,494	503	10,637	3,863
> 180 days	335	71	3,054	2,622	3,389	2,693
	233,122	196,399	92,703	144,797	325,825	341,196

The average credit terms of Takaful receivables granted to related parties and non-related parties are 9 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.

There is no significant Takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 Additional Information (continued)

Material Impairment of Assets

Measurement of Expected Credit Loss (“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 asset 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.

Measurement of ECL (continued)

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.

For ECL modelled on a collective basis, a grouping of exposures is performing 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 recognised in profit or loss is not significant to the Group.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

32 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.

33 Derivatives

The Group and Company did not enter into any derivatives for the financial period ended 30 September 2022.

34 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 financial period ended 30 September 2022.

35 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 financial period ended 30 September 2022, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

	As at 30.9.2022 RM'000	As at 31.12.2021 RM'000
Tier 1 capital	2,470,986	2,178,326
Tier 2 capital	(108,614)	65,017
Deductions	(306,833)	(318,399)
Total capital available	2,055,539	1,924,944

By Order of the Board

SUHLA AL ASRI
Company Secretary
SSM Practicing Certificate No. 201908002158
MAICSA 7025570

Kuala Lumpur, 1 November 2022