

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

The 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 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 condensed consolidated interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 December 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 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 2022. 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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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' establishes the principles for the recognition, measurement, presentation and disclosure of insurance/takaful contracts and supersedes MFRS 4 'Insurance Contracts'. It applies to insurance/takaful contracts issued, to all reinsurance/takaful contracts and to investment contracts with discretionary participating features if an entity also issues insurance/takaful contracts.

The standard requires to separate the following components from takaful contracts: (i) embedded derivatives, if they meet certain specified criteria, (ii) distinct investment components, and (iii) distinct performance obligations to provide non-takaful goods and services. These components should be accounted for separately in accordance with the related standards.

Under MFRS 17, there are different measurement approaches to be applied for the takaful contracts, reflecting a different extent of policyholder participation in investment or insurance/takaful entity performance:

- 1) General model, also known as the building block approach (BBA) for non-participating or indirect participating;
- 2) Variable fee approach (VFA) for direct participating; and

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1 Basis of Preparation (continued)

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 (continued)

- 3) Premium* allocation approach (PAA), a simplified approach which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one obtained applying the general model.

* Premium refers to contribution in Takaful terms.

The General model is a default model as required by MFRS 17 and is based on the following components:

- 1) the fulfilment cash flows (FCF), which represent the:
 - probability-weighted estimates of future cash flows;
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows;
 - an explicit risk adjustment for non-financial risk; and
- 2) the contractual service margin (CSM).

With regards to **discounting**, the Group apply a bottom-up discount rate (i.e. risk-free yield curve plus illiquidity premium). MFRS 17 requires using a market consistent yield curve factoring the illiquidity embedded in insurance/takaful liabilities. The methodology consists in using a Basic Risk-Free Rate (RFR), based on government bonds and adding on an illiquidity premium (IP) allowance to reflect the remuneration of illiquidity observed.

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion.

MFRS 17 does not prescribe a specific approach for determining the risk adjustment. The Group set the methodology of deriving risk adjustment to be based on the PRAD approach, a regulatory reserving approach based on a confidence interval of 75%.

- Stress factors to determine risk charge as stated in RBCT Framework have been used as a reference to determine the PRAD factors to be applied on best estimate assumptions.

CSM is also a major change in MFRS 17 compared to MFRS 4. It represents the unearned profit from in-force contracts, presented as a liability separately from the FCF in the consolidated statement of financial position and will be recognised in the consolidated statement of income over the coverage period of the contracts, as the entity provides services to the policyholders. The CSM cannot be negative at inception, any net negative amount of the fulfilment cash flows at inception will be recorded immediately in the consolidated statement of income immediately.

At the end of a reporting period, the carrying amount of a group of insurance/takaful contracts is remeasured to be the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM, while the liability for incurred claims consists of the FCF related to past services allocated to the group.

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1 Basis of Preparation (continued)

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 (continued)

The Group expects to apply the **BBA** for its Credit products, annuity business and individual businesses that do not have direct participation features, general takaful contracts which have coverage period of more than 1 year (for eg: long-term house owner and engineering contracts), and retakaful contracts held with coverage period or contract boundary of more than one year or do not pass the PAA eligibility test.

For contracts measured under the BBA model, the CSM gets adjusted for changes in cash flows related to future services due to experience adjustments and changes in assumptions. The profit rate accretion on CSM is based on the locked-in discount rate at initial recognition of a contract that is applicable to nominal cash flows that do not vary based on the returns on any underlying items. An amount of the CSM for a group of contract is recognised in profit or loss in each period to reflect the services provided by the group of contract in that period. The amount is determined by identifying the coverage units in the group. MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Group has determined its sum covered for the Takaful components to be computed based on the coverage units by benefit types.

Besides the BBA model, the Group expects to apply the VFA for its investment-linked contracts, annuity business and individual businesses that have direct participation features and meet the criteria below:

- 1) The contractual terms specify that the certificate holders participate in a share of a clearly identified pool of underlying items;
- 2) The Company expects to pay the certificate holders an amount equal to a substantial share of the fair value returns of the underlying items; and
- 3) The Company expects a substantial proportion of any change in the amounts to be paid to the certificate holders to vary with the change in the fair value of the underlying items.

The assessment of whether the contract meets these criteria is made at inception of the contract and not revised subsequently, except in case of substantial modification of the contract.

The CSM for contracts measured under the VFA is adjusted to reflect the entities share in the change in the fair value of underlying items. No explicit profit accretion is required since the CSM is effectively remeasured when it is adjusted for changes in financial risks. For the VFA contracts, a change in the fair value of the asset's portfolio constitutes a change in the fair value of investment return of the Participant Individual Account ("PIA") / Participant's Unit Account ("PUA") and Participants Risk Fund ("PRF"). For these contracts, the change in FCF for LFRC due to change in the market variable, discount rate or financial risks including the change in TVOG should unlock CSM.

In addition to the 2 models, **PAA** is permitted for the measurement of the LFRC if it provides a measurement which is not materially different from the BBA model or if the coverage period of each contract in the group is one year or less. Under the PAA, the LFRC is measured as the amount of contribution received at initial recognition less acquisition costs and amounts already recognised as takaful revenue at the closing date. The measurement of the liability for incurred claims is identical under all 3 measurement models, apart from the determination of locked-in interest rates used for discounting. For the PAA, changes compared to MFRS 4 are expected to be limited and mainly linked to the discount of all reserves, a more granular onerous contract testing and the inclusion of a risk adjustment for non-financial risk.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

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 (continued)

The Group expects to apply the PAA for individual yearly renewable products such as the general takaful contracts which have coverage period of 1 year or less and group yearly renewable products such as Group Term Medical and Health products.

The surplus transferable from the family fund to participants and takaful operator is based on the surplus determined by an annual actuarial valuation of the long term liabilities to participants. Surplus distribution is determined at the fund level through the process of mutualisation which is in line with the actual surplus distribution by takaful operators. The Group applies surplus mutualisation in determining the level of aggregation, which is guided by the terms of the takaful contracts to ensure that it reflects the nature and terms of the takaful contracts. This is in-line with Takaful concept of mutual guarantee whereby the participants mutually agree to contribute to a pool of Risk Fund and with the aim to provide mutual financial aid and assistance to the participants in case of need. Any deficit arises in a single contract is mutualised among the product grouping.

Any deficit in the participants' risk fund within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the takaful operator fund to the participants' risk fund. In the participants' risk fund, the Qard is included in fulfillment cash flows used to measure the takaful liabilities under MFRS 17.

Qard is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Family Takaful Fund's obligation to repay the nominal amount of Qard, nor does it affect or change any rights or obligations of the takaful operator fund.

The Qard shall be repaid from future surpluses of the participants' risk fund.

Besides the qualitative impacts described above, the Group is currently finalising the quantitative impact of the application of MFRS 17. The final impact will also depend on the application of the transition approaches. MFRS 17 has to be applied retrospectively unless it is impracticable. If a full retrospective application (FRA) is impracticable, an entity can choose between a modified retrospective approach (MRA) or a fair value approach (FVA). The objective of the MRA is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to FRA. For FVA, the CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 and the FCF (any negative difference would be recognised in retained earnings at the transition date).

Although the MFRS 17 implementation project has made significant progress, as of the date of the financial statements, the quantitative effects on the Group consolidated MFRS 17 opening balance sheet for the financial year 2022 are being reviewed and refined.

Based on the preliminary assessment undertaken, the adoption of MFRS 17 is expected to increase the Takaful Contract Liabilities and decrease the Group's total equity as at 1 January 2023. The Group will restate the comparative information on adoption of MFRS 17.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 31 December 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.

The Company on 12 December 2022 declared an interim single tier dividend of 13.50 sen per ordinary share in respect of the financial year ended 31 December 2022 which was paid on 16 January 2023.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
Financial year ended 31 December 2022			
Revenue from external participants	3,628,192	136,350	3,764,542
Profit / (Loss) before zakat and taxation	497,781	2,236	500,017
As at 31 December 2022			
Segment assets by location of assets	13,139,832	511,753	13,651,585
Segment liabilities by location of liabilities	11,199,264	432,880	11,632,144
Financial year ended 31 December 2021			
Revenue from external participants	3,054,416	124,594	3,179,010
Profit before zakat and taxation	435,248	3,452	438,700
As at 31 December 2021			
Segment assets by location of assets	12,177,249	531,585	12,708,834
Segment liabilities by location of liabilities	10,414,205	452,246	10,866,451

9 Investment Properties

A valuation has been carried out on all investment properties during the current financial quarter under review and the carrying values of the investment properties reflect the new valuation.

10 Material Events Subsequent to the End of the Period

There was no material event subsequent to the end of the year under review that has not been reported in the condensed consolidated 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 2022.

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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			12 months ended		
	31.12.2022	31.12.2021	Changes	31.12.2022	31.12.2021	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	1,010,807	877,989	15%	3,764,542	3,179,010	18%
Gross earned contributions	827,204	793,026	4%	3,200,290	2,766,398	16%
Profit before zakat and tax	133,753	140,110	-5%	500,017	438,700	14%
Profit after zakat and tax	75,531	156,510	-52%	319,073	412,200	-23%
Profit attributable to owners of the Company	74,856	156,136	-52%	318,517	411,423	-23%

14.1 Financial results of the current financial year against preceding financial year

Operating revenue

The Group recorded operating revenue of RM3,764.5 million for the financial year ended 31 December 2022, higher by 18% as compared to RM3,179.0 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 financial year ended 31 December 2022, the Group recorded profit before zakat and tax of RM500.0 million, higher by 14% as compared to RM438.7 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 financial year against preceding financial year (continued)

Profit after zakat and tax

For the financial year ended 31 December 2022, the Group recorded profit after zakat and tax of RM319.1 million, lower as compared to RM412.2 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 RM2,176.9 million for the financial year ended 31 December 2022, higher by 15% as compared to RM1,887.4 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 RM952.1 million for the financial year ended 31 December 2022 from RM752.2 million in the same period of the preceding year. The increase was mainly attributable to higher death, surrender and medical claims.

Investment income for the Family Takaful business increased by 9% to RM315.0 million for the financial year ended 31 December 2022 as compared to RM288.5 million in the same period of the preceding year, mainly due to higher profit income from fixed income investment.

For the financial year ended 31 December 2022, Family Takaful recorded fair value losses of RM56.0 million as compared to fair value gains of RM17.8 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 RM1,025.5 million for the financial year ended 31 December 2022, higher by 17% as compared to RM878.7 million in the same period of the preceding year. The growth was mainly attributable to fire and motor class of business.

The net benefits and claims for General Takaful business increased to RM289.6 million for the financial year ended 31 December 2022 from RM212.7 million in the same period of the preceding year, mainly due to higher claims from motor, liability, personal accident and miscellaneous class of business.

The investment income for the financial year ended 31 December 2022 was RM36.1 million, higher by 22% as compared to the same period of the preceding year of RM29.6 million, mainly due to higher profit income from fixed income investment.

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14. Review of Performance (continued)

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

Operating revenue

For the fourth quarter ended 31 December 2022, the Group generated operating revenue of RM1,010.8 million, increased by 15%, as compared to RM878.0 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 fourth quarter ended 31 December 2022, the Group recorded profit before zakat and tax of RM133.8 million, lower by 5% as compared to RM140.1 million in the same period last year. This was mainly attributable to lower surplus transfer from Takaful Fund.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM544.8 million, lower by 1%, as compared to RM547.8 million in the same period last year. The decrease is mainly attributable to lower sales from credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM227.2 million, higher as compared to RM202.1 million in the corresponding quarter of preceding year. The increase was mainly due to higher medical claims and surrender.

Investment income for the Family Takaful business for the current year quarter of RM85.0 million, higher by 13% as compared to RM75.1 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 gains of RM16.7 million, as compared to fair value gains of RM8.0 million in same period last year. The fair value gains were mainly due to equity market performance.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM282.9 million, increased by 15% as compared to RM245.1 million in the corresponding quarter of preceding year. The growth was mainly attributable to fire and motor classes.

General Takaful business recorded net benefits and claims of RM76.6 million for the quarter under review, increased as compared to RM56.1 million in the corresponding quarter of preceding year. The increase was mainly due to higher claims relating to fire, motor and personal accident class of business.

Investment income for the General Takaful business of RM10.8 million, higher by 39% as compared to RM7.8 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 RM136.4 million, higher by 9% as compared to RM124.6 million in the same period of the preceding year. The gross earned contribution recorded at RM121.1 million, higher by 12% as compared to RM107.9 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM2.2 million for the financial year ended 31 December 2022, as compared to profit before zakat and tax of RM3.5 million in the same period of preceding year, mainly attributable to lower surplus transfer from Takaful Fund. 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 31 December 2022, total assets of RM13,651.5 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 14% from RM7,536.3 million as at 31 December 2021 to RM8,622.0 million as at 31 December 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 RM2,067.3 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 RM606.0 million as at 31 December 2022, mainly attributable to lower placement in fixed and call deposits at licenced institutions with maturity more than 3 months.

Total liabilities increased to RM11,632.1 million as at 31 December 2022 as compared to RM10,866.5 million as at 31 December 2021, which was mainly attributable to the increase in Takaful contract liabilities.

Takaful contract liabilities increased from RM9,786.3 million as at 31 December 2021 to RM10,368.4 million as at 31 December 2022. The increase was due to the higher provision for outstanding claims.

Other payables increased from RM442.2 million as at 31 December 2021 to RM484.9 million as at 31 December 2022, mainly due to higher advanced takaful contribution.

Shareholders' equity increased by 10% to RM2,019.4 million as at 31 December 2022. This is mainly attributed to the net profit generated during the financial year of RM319.1 million.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. Review of Performance (continued)

14.5 Review of Statements of Cash flows

For the financial year ended 31 December 2022, the Group's cash flow position of RM2,067.3 million is healthy and strong. The ratio of cash flow from operating activities to profit for the financial year was 431.9%, which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.12.2022 RM'000	Immediate Preceding Quarter 30.9.2022 RM'000	Changes %
Operating revenue	1,010,807	924,417	9%
Gross earned contributions	827,204	851,192	-3%
Profit before zakat and tax	133,753	137,563	-3%
Profit after zakat and tax	75,531	87,227	-13%
Profit attributable to owners of the Company	74,856	87,268	-14%

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM1,010.8 million, higher by 9% as compared to RM924.4 million in the immediate preceding quarter. The increase was mainly attributable to higher sales generated from General Takaful business.

Profit before zakat and tax

For the current quarter under review, the Group recorded profit before zakat and taxation of RM133.8 million, lower by -3% as compared to the immediate preceding quarter of RM137.6 million. The decrease in profit was mainly attributable to higher expense reserves.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM544.8 million, as compared to RM594.6 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM227.2 million, increased by 6% as compared to the immediate preceding quarter of RM213.4 million. The increase was mainly attributable to higher medical claims and disability during the period.

For the current quarter under review, Family Takaful business recorded investment income of RM85.0 million, higher by 5% as compared to the immediate preceding quarter of RM81.0 million. The increase was mainly attributable to higher profit income from investment on Islamic debt securities.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Family Takaful (continued)

For the current quarter under review, Family Takaful recorded fair value gains of RM16.7 million, improved as compared to fair value losses of RM4.2 million in the immediate preceding quarter. The fair value gains were mainly due to equity market performance.

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM282.9 million, higher by 10% as compared to RM257.5 million in the immediate preceding quarter. The increase was mainly contributed to higher sales from fire and motor class.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM76.6 million, lower as compared to RM85.0 million in the immediate preceding quarter. The decrease was mainly due to lower claims relating to liability and contractor's all risk & engineering class of business.

For the current quarter under review, General Takaful business recorded investment income of RM10.8 million for the quarter, higher by 18% as compared to the investment income of RM9.2 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

As global markets gear up to face the impact of an economic downturn, the Malaysian forecast offers some optimism. Moderate growth is expected to sustain into 2023, with the local economy projected to expand by between 4% and 5% in 2023. While an increase in domestic demand and improvements within the labour market will spearhead this growth, the outlook nevertheless remains uncertain on the back of weaker-than-expected global economic recovery and higher risk aversion in financial markets. Greater political stability with people-centric initiatives and measures is anticipated to allow the country to sustain economic growth, attract foreign investment and keep inflation low. The Group will remain vigilant and prudent in managing operating costs, business growth and the risk profile of our business portfolio. We will remain resilient against these challenges as we are bolstered by strong capital and liquidity positions.

Our established core businesses in Bancatakaful, Treasury, Employee Benefits and General Takaful business segments continue to set a solid foothold of our market presence to sustain and strengthen our leadership in the takaful industry. Our market leadership has been supported by our solid financial fundamentals and strong operational resilience, enabling us to continue with good business performance post pandemic era to register a historical record of RM3.3 billion in total gross contributions and RM500 million profit before taxation and zakat in 2022. The Group will continue to leverage on our market leadership in these core segments to support our growth strategies and expand our market share.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 Current Year Prospects (continued)

Our ongoing strategic focus is to continue diversifying our business portfolio into the retail market with regular contribution offerings. Takaful Malaysia is looking at further business growth from our multi-distribution strategy to strengthen our presence by providing Malaysians with even greater access to more affordable regular contribution protection products. In 2022, we have harnessed forward momentum in our efforts to garner more market share by encouraging new business growth in regular contribution products through our branches and bank partners. This will certainly be a key focus area moving forward.

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. Accordingly, 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). Therefore, 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 12 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Current tax expense:				
- Current financial period	56,108	24,707	175,387	67,984
- Under provision in prior year	-	1,625	1,430	2,049
Deferred tax expense:				
- Current financial period	(1,762)	(43,098)	(4,657)	(44,849)
Total tax expense	<u>54,346</u>	<u>(16,766)</u>	<u>172,160</u>	<u>25,184</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.

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.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18 Taxation (continued)

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 which was fixed on 7th November 2022 was postponed to later date. The next court mention is fixed on 6th March 2023.

19 Status of Corporate Proposal

There has been no new corporate proposal since the date of the last quarterly report.

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 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 12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Owners of the Company (RM'000)	74,856	156,136	318,517	411,423
Weighted average number of ordinary shares in issue ('000)	836,824	833,028	836,416	832,385
Basic EPS (sen)	8.95	18.74	38.08	49.43

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 12 months ended	
		31.12.2022	31.12.2021	31.12.2022	31.12.2021
Owners of the Company (RM'000)		<u>74,856</u>	<u>156,136</u>	<u>318,517</u>	<u>411,423</u>
Weighted average number of ordinary shares in issue	('000)	836,824	833,028	836,416	832,385
Effects of dilution	('000)	<u>142</u>	<u>2,721</u>	<u>142</u>	<u>2,721</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>836,966</u>	<u>835,749</u>	<u>836,558</u>	<u>835,106</u>
Diluted EPS	(sen)	<u>8.94</u>	<u>18.68</u>	<u>38.07</u>	<u>49.27</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 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	62,577	(22,019)	40,558	75,152	(25,074)	50,078
Provision for IBNR	151,945	(58,697)	93,248	144,779	(58,036)	86,743
Provision for outstanding claims	214,522	(80,716)	133,806	219,931	(83,110)	136,821
Participants' account	5,063,659	-	5,063,659	4,587,267	-	4,587,267
Actuarial liabilities	1,854,651	(379,866)	1,474,785	1,852,988	(363,429)	1,489,559
Unallocated surplus	1,325,383	-	1,325,383	1,297,390	-	1,297,390
Fair value reserves	(121,161)	-	(121,161)	56,374	-	56,374
Net asset value attributable to unitholders	191,356	-	191,356	220,249	-	220,249
Participants' fund	8,313,888	(379,866)	7,934,022	8,014,268	(363,429)	7,650,839
	8,528,410	(460,582)	8,067,828	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)

	31 December 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	721,791	(498,465)	223,326	544,467	(400,969)	143,498
Provision for IBNR	318,929	(158,136)	160,793	320,964	(166,608)	154,356
Provision for outstanding claims	1,040,720	(656,601)	384,119	865,431	(567,577)	297,854
Provision for unearned contributions	623,918	(222,950)	400,968	504,871	(141,895)	362,976
	<u>1,664,638</u>	<u>(879,551)</u>	<u>785,087</u>	<u>1,370,302</u>	<u>(709,472)</u>	<u>660,830</u>
Unallocated surplus	204,947	-	204,947	220,714	-	220,714
Fair value reserves	(7,738)	-	(7,738)	3,251	-	3,251
Participants' fund	<u>197,209</u>	<u>-</u>	<u>197,209</u>	<u>223,965</u>	<u>-</u>	<u>223,965</u>
	<u>1,861,847</u>	<u>(879,551)</u>	<u>982,296</u>	<u>1,594,267</u>	<u>(709,472)</u>	<u>884,795</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	31 December 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	784,368	(520,484)	263,884	619,619	(426,043)	193,576
Provision for IBNR	470,874	(216,832)	254,042	465,743	(224,644)	241,099
Provision for outstanding claims	1,255,242	(737,316)	517,926	1,085,362	(650,687)	434,675
Provision for unearned contributions	623,918	(222,950)	400,968	504,871	(141,895)	362,976
	<u>1,879,160</u>	<u>(960,266)</u>	<u>918,894</u>	<u>1,590,233</u>	<u>(792,582)</u>	<u>797,651</u>
Participants' account	5,063,659	-	5,063,659	4,587,267	-	4,587,267
Actuarial liabilities	1,854,651	(379,866)	1,474,785	1,852,988	(363,429)	1,489,559
Unallocated surplus	1,530,330	-	1,530,330	1,518,104	-	1,518,104
Fair value reserves	(128,899)	-	(128,899)	59,625	-	59,625
Net asset value attributable to unitholders	169,573	-	169,573	178,109	-	178,109
Participants' fund	<u>8,489,314</u>	<u>(379,866)</u>	<u>8,109,448</u>	<u>8,196,093</u>	<u>(363,429)</u>	<u>7,832,664</u>
	<u>10,368,474</u>	<u>(1,340,132)</u>	<u>9,028,342</u>	<u>9,786,326</u>	<u>(1,156,011)</u>	<u>8,630,315</u>

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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)	(286,703)	-	(286,703)
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	-	-	-	5,665	(554)	5,111
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	2,176,852	(171,206)	2,005,646	563,276	-	563,276	2,740,128	(171,206)	2,568,922
Investment income on financial assets not measured at FVTPL	287,124	-	287,124	36,086	-	36,086	323,210	-	323,210
Investment income - others	27,849	-	27,849	6	-	6	27,855	-	27,855
Realised gains and losses	11,828	-	11,828	1,190	-	1,190	13,018	-	13,018
Fair value gains and losses	(56,015)	-	(56,015)	120	-	120	(55,895)	-	(55,895)
Other operating income	2,075	-	2,075	192	-	192	2,267	-	2,267
Net benefits and claims	(1,116,350)	164,272	(952,078)	(289,617)	-	(289,617)	(1,405,967)	164,272	(1,241,695)
Fees deducted (net)	(751,517)	-	(751,517)	(317,068)	-	(317,068)	(1,068,585)	-	(1,068,585)
Impairment losses on financial instruments	(6,723)	-	(6,723)	(1,126)	-	(1,126)	(7,849)	-	(7,849)
Other operating expenses	(4,607)	-	(4,607)	(237)	-	(237)	(4,844)	-	(4,844)
Profit paid to participants	(18,476)	-	(18,476)	(10,501)	-	(10,501)	(28,977)	-	(28,977)
Movement in actuarial liabilities	31,793	(18,243)	13,550	-	-	-	31,793	(18,243)	13,550
Profit attributable to the Takaful Operator	(61,301)	6,933	(54,368)	-	-	-	(40,944)	6,933	(34,011)
Excess payment from participants	3,965	-	3,965	-	-	-	3,965	-	3,965
Net change in fair value on debt instruments at FVOCI	(177,535)	-	(177,535)	(10,989)	-	(10,989)	(188,524)	-	(188,524)
Repayment of seed capital	(18,114)	-	(18,114)	-	-	-	(18,114)	-	(18,114)
Reversal of tax expense	(8,425)	-	(8,425)	2,623	-	2,623	(5,802)	-	(5,802)
Withholding tax paid	(9,223)	-	(9,223)	(711)	-	(711)	(9,934)	-	(9,934)
Effect of movement in exchange rates	(13,580)	1,807	(11,773)	-	-	-	(13,580)	1,807	(11,773)
At 31 December 2022	8,313,888	(379,866)	7,934,022	197,209	-	197,209	8,489,314	(379,866)	8,109,448

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 12 months ended	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	18,247	13,962	54,369	63,420
General Takaful Fund	-	24,294	-	31,589
Wakalah fee income	302,818	266,597	1,165,823	951,573
Total Takaful Operator income	<u>321,065</u>	<u>304,853</u>	<u>1,220,192</u>	<u>1,046,582</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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	22,312	16,890	80,268	68,974	11,038	7,974	113,218	93,838
Accretion / (Amortisation)	(471)	(395)	(2,006)	(1,900)	(232)	(215)	(2,709)	(2,510)
	<u>21,841</u>	<u>16,495</u>	<u>78,262</u>	<u>67,074</u>	<u>10,806</u>	<u>7,759</u>	<u>110,909</u>	<u>91,328</u>
<u>Investment income - others</u>								
Rental income	219	204	1,355	1,543	26	46	1,063	1,146
Dividend income	68	73	1,706	2,011	-	-	1,774	2,084
Profit income	1,124	943	4,033	4,918	-	-	5,157	5,861
Accretion / (Amortisation)	(1)	1	1	-	-	-	-	1
Investment expenses	-	(51)	(391)	(478)	-	-	(8)	(66)
	<u>1,410</u>	<u>1,170</u>	<u>6,704</u>	<u>7,994</u>	<u>26</u>	<u>46</u>	<u>7,983</u>	<u>9,026</u>
	<u>23,251</u>	<u>17,665</u>	<u>84,966</u>	<u>75,068</u>	<u>10,832</u>	<u>7,805</u>	<u>118,892</u>	<u>100,354</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	77,540	61,105	295,092	265,338	37,052	30,312	409,684	356,755
Accretion / (Amortisation)	(1,814)	(1,299)	(7,968)	(7,423)	(966)	(812)	(10,748)	(9,534)
	<u>75,726</u>	<u>59,806</u>	<u>287,124</u>	<u>257,915</u>	<u>36,086</u>	<u>29,500</u>	<u>398,936</u>	<u>347,221</u>
<u>Investment income - others</u>								
Rental income	855	813	6,056	6,698	106	173	4,507	4,992
Dividend income	281	210	8,320	7,041	-	-	8,601	7,251
Profit income	4,032	3,375	15,616	19,133	-	-	19,648	22,508
Accretion / (Amortisation)	-	5	8	9	-	-	8	14
Investment expenses	(70)	(117)	(2,151)	(2,317)	(100)	(95)	(647)	(723)
	<u>5,098</u>	<u>4,286</u>	<u>27,849</u>	<u>30,564</u>	<u>6</u>	<u>78</u>	<u>32,117</u>	<u>34,042</u>
	<u>80,824</u>	<u>64,092</u>	<u>314,973</u>	<u>288,479</u>	<u>36,092</u>	<u>29,578</u>	<u>431,053</u>	<u>381,263</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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Realised gains and losses</u> <u>arising from:</u>								
Property and equipment	(16)	112	-	-	-	-	(16)	112
FVOCI financial assets:								
- Islamic debt securities (unquoted in Malaysia)	178	2,585	-	5,156	-	-	178	7,741
- Malaysian Government Islamic paper	-	1,369	-	6,167	-	387	-	7,923
	<u>178</u>	<u>3,954</u>	<u>-</u>	<u>11,323</u>	<u>-</u>	<u>387</u>	<u>178</u>	<u>15,664</u>
	<u>162</u>	<u>4,066</u>	<u>-</u>	<u>11,323</u>	<u>-</u>	<u>387</u>	<u>162</u>	<u>15,776</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 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Realised gains and losses</u> <u>arising from:</u>								
Property and equipment	48	97	-	-	-	-	48	97
FVOCI financial assets:								
- Islamic debt securities (unquoted in Malaysia)	2,047	2,585	7,335	15,541	1,190	-	10,572	18,126
- Malaysian Government Islamic paper	572	1,369	4,493	9,423	-	387	5,065	11,179
	<u>2,619</u>	<u>3,954</u>	<u>11,828</u>	<u>24,964</u>	<u>1,190</u>	<u>387</u>	<u>15,637</u>	<u>29,305</u>
	<u>2,667</u>	<u>4,051</u>	<u>11,828</u>	<u>24,964</u>	<u>1,190</u>	<u>387</u>	<u>15,685</u>	<u>29,402</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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	3,615	-	430	-	4,045
- Financial assets not measured at FVTPL	-	14	-	(2,832)	-	(394)	-	(3,212)
	-	14	-	783	-	36	-	833
<u>Other operating income</u>								
Service charged and management fee	6,807	5,100	-	-	-	-	-	-
Reclassification of agency related expenses to management expenses		21,697		-		-		21,697
Other income	583	186	336	107	21	-	940	293
	7,390	26,983	336	107	21	-	940	21,990
	7,390	26,997	336	890	21	36	940	22,823

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 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Other operating income</u>								
Service charged and management fee	26,645	20,518	-	-	-	-	-	-
Other income	2,314	2,692	2,075	203	192	41	4,581	2,936
	<u>28,959</u>	<u>23,210</u>	<u>2,075</u>	<u>203</u>	<u>192</u>	<u>41</u>	<u>4,581</u>	<u>2,936</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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	516	-	332	-	848	-
- Financial assets not measured at FVTPL	(8)	-	38	-	-	-	30	-
	<u>(8)</u>	<u>-</u>	<u>554</u>	<u>-</u>	<u>332</u>	<u>-</u>	<u>878</u>	<u>-</u>
<u>Other operating expenses</u>								
Agency related expenses	(1,477)	-	-	-	-	-	(1,477)	-
Debts written off	-	-	(580)	-	-	-	(580)	-
Loss on disposal of assets	6	-	-	-	-	-	6	-
Other expenses	(560)	(597)	(1,476)	(683)	(286)	(544)	(1,754)	(1,421)
	<u>(2,031)</u>	<u>(597)</u>	<u>(2,056)</u>	<u>(683)</u>	<u>(286)</u>	<u>(544)</u>	<u>(3,805)</u>	<u>(1,421)</u>
	<u>(2,039)</u>	<u>(597)</u>	<u>(1,502)</u>	<u>(683)</u>	<u>45</u>	<u>(544)</u>	<u>(2,927)</u>	<u>(1,421)</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 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(133)	3,030	(241)	(1,700)	(373)	1,330
- Financial assets not measured at FVTPL	(1,003)	(950)	(6,590)	(10,452)	(885)	(2,026)	(8,479)	(13,428)
	<u>(1,003)</u>	<u>(950)</u>	<u>(6,723)</u>	<u>(7,422)</u>	<u>(1,126)</u>	<u>(3,726)</u>	<u>(8,852)</u>	<u>(12,098)</u>
<u>Other operating expenses</u>								
Agency related expenses	(5,767)	(14,824)	-	-	-	-	(5,767)	(14,824)
Debts written off	-	-	(580)	(17)	-	-	(580)	(17)
Other expenses	(1,411)	(1,308)	(4,027)	(2,689)	(237)	(653)	(3,548)	(3,132)
	<u>(7,178)</u>	<u>(16,132)</u>	<u>(4,607)</u>	<u>(2,706)</u>	<u>(237)</u>	<u>(653)</u>	<u>(9,895)</u>	<u>(17,973)</u>
	<u>(8,181)</u>	<u>(17,082)</u>	<u>(11,330)</u>	<u>(10,128)</u>	<u>(1,364)</u>	<u>(4,379)</u>	<u>(18,747)</u>	<u>(30,071)</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 12 months ended		Group 12 months ended	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
Depreciation of property and equipment	1,478	2,220	2,402	2,807	7,612	8,981	10,072	11,332
Depreciation of right-of-use assets	449	411	387	852	1,756	1,571	1,694	3,313
Amortisation of intangible assets	11,876	11,298	11,876	11,298	46,533	42,124	46,533	42,124

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.

31 December 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	7,797	-	-	7,797	-	-	-	-	7,797	7,797
Unit trusts	625	6,783	-	7,408	-	-	-	-	7,408	7,408
Institutional Trust Account	-	-	73,927	73,927	-	-	-	-	73,927	73,927
Islamic debt securities	37,456	1,226,701	-	1,264,157	-	-	-	-	1,264,157	1,264,157
Malaysian Government Islamic papers	-	101,300	-	101,300	-	-	-	-	101,300	101,300
Investment in linked funds	21,783	-	-	21,783	-	-	-	-	21,783	21,783
	67,661	1,334,784	73,927	1,476,372	-	-	-	-	1,476,372	1,476,372

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 2022										
Family Takaful										
Financial assets										
Equity securities	247,331	-	-	247,331	-	-	-	-	247,331	247,331
Unit trusts	95,592	28,647	-	124,239	-	-	-	-	124,239	124,239
Institutional Trust Account	-	-	382,872	382,872	-	-	-	-	382,872	382,872
Islamic debt securities	142,059	5,131,886	-	5,273,945	-	-	-	-	5,273,945	5,273,945
Malaysian Government Islamic papers	-	465,128	-	465,128	-	-	-	-	465,128	465,128
	484,982	5,625,661	382,872	6,493,515	-	-	-	-	6,493,515	6,493,515

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 2022										
General Takaful										
Institutional Trust Account	-	-	54,958	54,958	-	-	-	-	54,958	54,958
Islamic debt securities	-	544,236	-	544,236	-	-	-	-	544,236	544,236
Malaysian Government Islamic papers	-	74,683	-	74,683	-	-	-	-	74,683	74,683
	-	618,919	54,958	673,877	-	-	-	-	673,877	673,877
Group										
Financial assets										
Equity securities	255,128	-	-	255,128	-	-	-	-	255,128	255,128
Unit trusts	96,217	35,430	-	131,647	-	-	-	-	131,647	131,647
Institutional Trust Account	-	-	511,757	511,757	-	-	-	-	511,757	511,757
Islamic debt securities	179,515	6,902,823	-	7,082,338	-	-	-	-	7,082,338	7,082,338
Malaysian Government Islamic papers	-	641,111	-	641,111	-	-	-	-	641,111	641,111
	530,860	7,579,364	511,757	8,621,981	-	-	-	-	8,621,981	8,621,981

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).

	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										
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).

	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										
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	(16,480)	(105,471)	(6,669)	(128,620)
Dividend capitalised	1,207	920	-	2,127
Investment income – realised	2,431	16,970	2,172	21,573
Net change in fair value	(208)	(794)	(95)	(1,097)
At 31 December 2022	73,927	382,872	54,958	511,757

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	
	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2021 RM'000
<u>Days past due</u>						
Current (not past due)	192,019	190,030	247,764	141,090	439,783	331,120
1-30 days	2,644	261	433	113	3,077	374
31-60 days	290	2,312	198	112	488	2,424
61-90 days	428	365	208	357	636	722
91-180 days	1,593	3,360	618	503	2,211	3,863
> 180 days	182	71	1,922	2,622	2,104	2,693
	197,156	196,399	251,143	144,797	448,299	341,196

The average credit terms of Takaful receivables granted to related parties and non-related parties are 12 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 year ended 31 December 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 year ended 31 December 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 31 December 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 31.12.2022 RM'000	As at 31.12.2021 RM'000
Tier 1 capital	2,476,578	2,178,326
Tier 2 capital	(36,923)	65,017
Deductions	(322,607)	(318,399)
Total capital available	2,117,048	1,924,944

By Order of the Board

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

Kuala Lumpur, 24 February 2023