

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 Basis of Preparation

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

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 December 2019. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Takaful Operator, Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Takaful Operator include only assets, liabilities, income and expenses of the Takaful Operator, excluding the Takaful funds managed by it. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

In preparing the Group-level consolidated financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the takaful funds. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and takaful funds are uniform for like transactions and events in similar circumstances.

The takaful fund are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group’s and the Company’s license to manage takaful business is withdrawn or surrendered.

The unaudited interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 31 December 2018. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2018.

The accounting policies and presentation adopted by the Group for the condensed interim financial statements are consistent with those adopted in the Group’s audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

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1 Basis of Preparation (continued)

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

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

The initial application of the abovementioned standards, amendments and interpretations do not have any material impacts to the current and prior period's financial statements upon their first adoption, except as disclosed below:

MFRS 16, Leases

The Group and the Company adopted MFRS 16, *Leases* with a date of initial application on 1 January 2019. MFRS 16 replaces existing leases guidance, including MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases - Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

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

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

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

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The nature of expenses related to those leases changed because the Group recognised a depreciation charge for right-of-use assets and interest expense on lease liabilities.

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1 Basis of Preparation (continued)

MFRS 16, Leases (continued)

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

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

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

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

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

(ii) Leases in which the Group is lessor

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

(iii) Leases in which the Group is lessee

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

(iv) Impacts on financial statements

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

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

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

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

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1 Basis of Preparation (continued)

MFRS 16, Leases (continued)

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

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2018 did not contain any qualification.

3 Seasonality of Operations

The Group's operations are not materially affected by seasonal or cyclical factors for the period under review.

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 December 2019.

5 Estimates

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

6 Debt and Equity Securities

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

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7 Dividends

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

The Directors on 3 December 2019 declared an interim single tier dividend of 20.00 sen per ordinary share in respect of the financial year ended 31 December 2019 which was paid on 2 January 2020.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
12 months ended 31 December 2019			
Revenue from external participants	<u>2,983,536</u>	<u>141,029</u>	<u>3,124,565</u>
Profit before zakat and taxation	<u>417,168</u>	<u>571</u>	<u>417,739</u>
As at 31 December 2019			
Segment assets by location of assets	<u>9,810,451</u>	<u>535,655</u>	<u>10,346,106</u>
Segment liabilities by location of liabilities	<u>8,631,468</u>	<u>460,118</u>	<u>9,091,586</u>
12 months ended 31 December 2018			
Revenue from external participants	<u>2,505,167</u>	<u>133,898</u>	<u>2,639,065</u>
Profit/(loss) before zakat and taxation	<u>342,043</u>	<u>(5,039)</u>	<u>337,004</u>
As at 31 December 2018			
Segment assets by location of assets	<u>8,428,539</u>	<u>503,037</u>	<u>8,931,576</u>
Segment liabilities by location of liabilities	<u>7,480,375</u>	<u>439,043</u>	<u>7,919,418</u>

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.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

10 Material Events Subsequent to the End of the Period

There was no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial quarter.

11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2018.

12 Effect of Changes in Composition of the Company / Group

There was no change in the composition of the Group for the current financial quarter under review.

13 Contingent Liabilities

There were no contingent liabilities as at the date of this announcement.

14 Review of Performance

	3 months ended			12 months ended		
	31.12.2019	31.12.2018	Changes	31.12.2019	31.12.2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	779,912	701,507	11%	3,124,565	2,639,065	18%
Gross earned contributions	695,395	663,597	5%	2,748,637	2,294,334	20%
Profit before zakat and tax	85,564	102,828	-17%	417,739	337,004	24%
Profit after zakat and tax	77,648	90,118	-14%	366,299	292,617	25%
Profit attributable to owners of the Company	75,105	90,571	-17%	364,837	294,924	24%

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14 Review of Performance (continued)

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

Operating revenue

The Group recorded operating revenue of RM3,124.6 million for the financial year ended 31 December 2019, an increase of 18% or RM485.5 million as compared to the same period last year. The increase was mainly attributable to higher sales generated by Family Takaful business.

Profit before zakat and tax

For the 12 months period ended 31 December 2019, the Group recorded profit before zakat and tax of RM417.7 million, increased by 24% as compared to RM337.0 million in the same period last year. The improvement in profit was mainly attributable to higher net Wakalah fee income arising from business growth in the Family Takaful and higher net investment income.

Family Takaful

Family Takaful business generated gross earned contributions of RM2,042.3 million for the 12 months period ended 31 December 2019, increased by 27%, as compared to RM1,608.5 million in the corresponding period last year. The increase is mainly attributable to higher sales from credit-related products.

The net benefits and claims for Family Takaful business decreased to RM801.6 million in the 12 months period ended 31 December 2019 from RM803.1 million in the same period of the preceding year. This was mainly due lower medical claims.

Investment income for the Family Takaful business increased by 10% to RM277.9 million as compared to RM251.5 million in the corresponding period last year, mainly due to higher profit from Islamic debt securities.

For the 12 months period ended 31 December 2019, Family Takaful recorded fair value gains of RM30.3 million, increased by RM101.3 million as compared to the same period last year. The higher gain were mainly due to improvement in equity market performance.

General Takaful

General Takaful business generated gross earned contributions of RM706.2 million for the 12 months period ended 31 December 2019, increased by 3% as compared to RM685.8 million in the corresponding period last year. The growth was mainly from fire and commercial classes.

The net benefits and claims for General Takaful business to RM202.2 million in the 12 months ended 31 December 2019 from RM204.7 million in the same period of the preceding year, mainly due to decrease in claims relating to fire and motor classes.

The investment income for the 12 months period ended 31 December 2019 was RM31.2 million, increased by 9%, as compared to the investment income in the same period of the preceding year of RM28.7 million, mainly to higher profit from Islamic debts securities.

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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 2019, the Group generated Operating Revenue of RM779.9 million increased by 11% as compared to RM701.5 million in the corresponding quarter of the preceding year. The increase was mainly attributable to higher sales generated by Family Takaful business.

Profit before zakat and tax

For the current quarter under review, the Group recorded profit before zakat and taxation of RM85.6 million, lower as compared to the same period last year of RM102.8 million. The decrease was mainly attributable to higher sales-related expenses which in line with the growth of sales.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM 531.2 million increased by 7% as compared to RM497.6 million in the same period last year. The increase is mainly attributable to higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM210.3 million, decreased by 4% as compared to the corresponding quarter of preceding year. The decrease was mainly due to lower maturity claims.

Investment income for the Family Takaful business for the current quarter of RM70.8 million, is higher as compared to RM64.7 million in the corresponding quarter last year, mainly due to higher profit from Islamic debt securities.

For the current quarter under review, Family Takaful recorded fair value gains of RM3.8 million, increased by RM32.5 million as compared to same period last year. The higher gains were mainly due to the improvement in equity market performance.

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM163.8 million as compared to RM166.0 million in the corresponding quarter of preceding year, mainly attributable to motor and marine classes.

General Takaful business recorded net benefits and claims of RM55.0 million for the quarter under review, increase by 21% as compared to RM45.3 million in the corresponding quarter of preceding year, mainly attributable to fire class.

Investment income for the General Takaful business of RM7.7 million is at par with the corresponding quarter of preceding year.

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14 Review of Performance (continued)

14.3 Indonesian Operations

The operating revenue of Indonesian operations increased by 5% to RM141.0 million from RM133.9 million in the same period of the preceding year whilst, the gross earned contribution increased by 2% to RM120.9 million compared to RM118.1million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM0.6 million as at 31 December 2019 as compared to loss before zakat and tax of RM5.1 million in the same period of preceding year. The improvement was mainly due to surplus transferred from Family Takaful Fund. The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 31 December 2019, total assets increased by 16% to RM10,346.1 million as compared to RM8,931.6 million as at 31 December 2018, mainly attributable to the increase in other investments, retakaful assets and loan and receivables excluding Takaful receivables.

As compared to 31 December 2018, other investments increased from RM5,403.1 million to RM5,663.5 million as at 31 December 2019, mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and Institutional Trust account. The increase was mainly attributable to new purchases as well as gains in market value.

Retakaful assets increased from RM537.1 million to RM755.8 million mainly due to additional retakaful reserving.

Loan and receivable, excluding Takaful receivables increased from RM1,354.5 million to RM2,630.7 million mainly due to higher placement in fixed and call deposits licensed institutions.

Total liabilities increased by 15% to RM9,091.6 million as compared to RM7,919.4 million as at 31 December 2018, mainly attributable to the increase in takaful contract liabilities by RM1,130.6 million. The increase in takaful contract liabilities from RM7,127.6 million as at 31 December 2018 to RM8,258.2 million as at 31 December 2019 was in line with the Company's business growth.

Shareholders' equity increased by 24% to RM1,254.5 million as at 31 December 2019, net of declaration of dividends of RM165.4 million during the current financial year. This is mainly attributed to the increase in distributable retained earnings of RM199.4 million.

14.5 Review of Statements of Cash flows

For the 12 months period ended 31 December 2019, the Group's cash flow position of RM603.2 million is healthy and strong.

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15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.12.2019 RM'000	Immediate Preceding Quarter 30.09.2019 RM'000	Changes %
Operating revenue	779,912	753,512	4%
Gross earned contributions	695,395	715,505	-3%
Profit before zakat and tax	85,564	121,754	-30%
Profit after zakat and tax	77,648	112,640	-31%
Profit attributable to owners of the Company	75,105	112,340	-33%

Operating revenue

For the current quarter under review, the Group generated Operating Revenue of RM779.9 million as compared to RM753.5 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from General Takaful business.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM85.6 million as compared to the immediate preceding quarter of RM121.8 million. The decrease in profit was mainly attributable to sales-related expenses which in line with the growth of sales.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM531.2 million as compared to RM543.7 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from employee benefits products and Indonesia's operations, partially offset by higher sales from credit-related products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM210.3 million, increased by 2% as compared to the immediate preceding quarter. The increase was mainly due to higher death and surrender claims.

For the current quarter under review, Family Takaful business recorded investment income of RM70.8 million, at par with the immediate preceding quarter.

For the current quarter under review, Family Takaful recorded fair value gain of RM3.8 million, increased by RM13.2 million as compared to fair value losses of RM9.4 million immediate preceding quarter. The higher gains were mainly due to the equity market performance.

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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 RM163.8 million as compared to RM171.9 million in the immediate preceding quarter. The decrease was mainly from motor class.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM55.0 million, an increase of 12% as compared to the immediate preceding quarter. The increase was mainly due to higher claims relating to fire class.

For the current quarter under review, General Takaful business recorded investment income of RM7.7 million for the quarter, at par as compared to the investment income in the immediate preceding quarter.

16 Current Year Prospects

Despite business sentiments remaining cautious in 2020, the Takaful industry is expected to outperform the conventional insurers in view of the strong demand for Takaful products. Takaful Malaysia is poised to further expand its market share in 2020. To sustain its market leading position, the company will continue with its innovative strategies via the implementation of its digital strategy, introduction of online solutions, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and Brand awareness initiatives. Particularly, the company will further strengthen its distribution capabilities for general takaful business in view of greater potential to enlarge the takaful market share in the general insurance and takaful sector, and we expand the business focus beyond credit-related business to reach out to the wide retail customer base of major partner banks.

To support business growth and customer centricity, the company will continue its digital strategy to build the full digital ecosystem. As a pioneer to transform the insurance / takaful business in Malaysia, we will advance to the next level of digital strategy by adopting Artificial Intelligence (AI) with big data analytics and machine learning algorithms to manage the risks and opportunities in the areas of marketing, underwriting, and customer service, and claims processing. Especially, AI will be used for marketing optimization to achieve better brand awareness and marketing objectives; smart underwriting for fast risk assessment and accurate pricing decision, personalization of customer engagement for great customer experience; and motor and medical claims review process for faster and accurate claim settlement and fraud detection.

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

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

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18 Taxation

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

	3 months ended		Cumulative 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Current tax expense:				
- Current financial period	12,853	15,077	62,054	58,728
- Over provision in prior year	(4,336)	-	(12,070)	(7,613)
Deferred tax benefits:				
- Current financial period	(896)	(2,690)	197	(7,749)
Total tax expense	<u>7,621</u>	<u>12,387</u>	<u>50,181</u>	<u>43,366</u>

The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The case has fixed for hearing on 1st and 2nd September 2021.

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 2019.

21 Material Litigation

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

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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	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Owners of the Company (RM'000)		75,105	90,571	364,837	294,924
Weighted average number of ordinary shares in issue	('000)	826,793	823,945	826,137	823,945
Basic EPS	(sen)	9.08	10.99	44.16	35.79

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	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Owners of the Company (RM'000)		75,105	90,571	364,837	294,924
Weighted average number of ordinary shares in issue	('000)	826,793	824,219	826,137	823,945
Effects of dilution	('000)	4,265	3,186	4,264	3,186
Diluted weighted average number of ordinary shares in issue	('000)	831,058	827,405	830,401	827,131
Diluted EPS	(sen)	9.04	10.95	43.94	35.66

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2019			31 December 2018		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	39,182	(8,493)	30,689	27,361	(4,027)	23,334
Provision for IBNR	133,692	(45,417)	88,275	138,380	(34,477)	103,903
Provision for outstanding claims	172,874	(53,910)	118,964	165,741	(38,504)	127,237
Actuarial liabilities	5,648,260	(315,614)	5,332,646	5,020,886	(163,719)	4,857,167
Unallocated surplus	861,199	-	861,199	708,726	-	708,726
Fair value reserves	257,242	-	257,242	27,520	-	27,520
Net asset value attributable to unitholders	240,957	-	240,957	224,724	-	224,724
Participants' fund	7,007,658	(315,614)	6,692,044	5,981,856	(163,719)	5,818,137
	7,180,532	(369,524)	6,811,008	6,147,597	(202,223)	5,945,374

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23 Takaful Contract Liabilities (continued)

	31 December 2019			31 December 2018		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	302,067	(190,182)	111,885	267,294	(165,838)	101,456
Provision for IBNR	228,657	(105,456)	123,201	200,690	(92,192)	108,498
Provision for outstanding claims	530,724	(295,638)	235,086	467,984	(258,030)	209,954
Provision for unearned contributions	394,340	(90,634)	303,706	376,971	(76,884)	300,087
	925,064	(386,272)	538,792	844,955	(334,914)	510,041
Unallocated surplus	173,962	-	173,962	168,871	-	168,871
Fair value reserves	16,089	-	16,089	2,258	-	2,258
Participants' fund	190,051	-	190,051	171,129	-	171,129
	1,115,115	(386,272)	728,843	1,016,084	(334,914)	681,170

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23 Takaful Contract Liabilities (continued)

	31 December 2019			31 December 2018		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	341,249	(198,675)	142,574	294,655	(169,865)	124,790
Provision for IBNR	362,349	(150,873)	211,476	339,070	(126,669)	212,401
Provision for outstanding claims	703,598	(349,548)	354,050	633,725	(296,534)	337,191
Provision for unearned contributions	394,340	(90,634)	303,706	376,971	(76,884)	300,087
	<u>1,097,938</u>	<u>(440,182)</u>	<u>657,756</u>	<u>1,010,696</u>	<u>(373,418)</u>	<u>637,278</u>
Actuarial liabilities	5,648,260	(315,614)	5,332,646	5,020,886	(163,719)	4,857,167
Unallocated surplus	1,035,161	-	1,035,161	877,597	-	877,597
Fair value reserves	273,331	-	273,331	29,778	-	29,778
Net asset value attributable to unitholders	203,490	-	203,490	188,621	-	188,621
Participants' fund	<u>7,160,242</u>	<u>(315,614)</u>	<u>6,844,628</u>	<u>6,116,882</u>	<u>(163,719)</u>	<u>5,953,163</u>
	<u>8,258,180</u>	<u>(755,796)</u>	<u>7,502,384</u>	<u>7,127,578</u>	<u>(537,137)</u>	<u>6,590,441</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

Participants' fund liabilities and its movements are analysed as follows:

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2018	5,665,138	(179,484)	5,485,654	197,633	-	197,633	5,824,075	(179,484)	5,644,591
Net earned contributions	1,608,527	(90,408)	1,518,119	423,371	-	423,371	2,031,898	(90,408)	1,941,490
Investment income on financial assets not measured at FVTPL	203,133	-	203,133	25,101	-	25,101	231,823	-	231,823
Investment income - others	48,411	-	48,411	3,589	-	3,589	52,000	-	52,000
Realised gains and (losses)	1,870	-	1,870	47	-	47	1,917	-	1,917
Fair value gains and (losses)	(71,057)	-	(71,057)	(2,826)	-	(2,826)	(73,883)	-	(73,883)
Other operating income	-	-	-	255	-	255	255	-	255
Net benefits and claims	(868,906)	65,768	(803,138)	(204,703)	-	(204,703)	(1,073,609)	65,768	(1,007,841)
Fees deducted (net)	(522,374)	-	(522,374)	(249,544)	-	(249,544)	(771,918)	-	(771,918)
(Impairment losses) / Reversal of impairment losses on financial instruments	2,546	-	2,546	2,922	-	2,922	5,468	-	5,468
Other operating expenses	(2,716)	-	(2,716)	(360)	-	(360)	(3,076)	-	(3,076)
Profit paid to participants	(3,164)	-	(3,164)	(20,534)	-	(20,534)	(23,698)	-	(23,698)
Increase in actuarial liabilities	(15,688)	14,878	(810)	-	-	-	(15,688)	14,878	(810)
Profit attributable to the Takaful Operator	(75,659)	24,641	(51,018)	(5,962)	-	(5,962)	(79,028)	24,641	(54,387)
Excess payment transferred to participants	(643)	-	(643)	-	-	-	(643)	-	(643)
Net change in fair value on debts investment at FVOCI	40,685	-	40,685	3,299	-	3,299	43,984	-	43,984
Withholding tax	(8,443)	-	(8,443)	(1,159)	-	(1,159)	(9,602)	-	(9,602)
Effect of movement in exchange rates	(19,804)	886	(18,918)	-	-	-	(19,804)	886	(18,918)
At 31 December 2018	5,981,856	(163,719)	5,818,137	171,129	-	171,129	6,116,882	(163,719)	5,953,163

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2019	5,981,856	(163,719)	5,818,137	171,129	-	171,129	6,116,882	(163,719)	5,953,163
Net earned contributions	2,042,293	(117,589)	1,924,704	429,583	-	429,583	2,471,876	(117,589)	2,354,287
Investment income on financial assets not measured at FVTPL	238,370	-	238,370	29,341	-	29,341	267,711	-	267,711
Investment income - others	39,545	-	39,545	1,882	-	1,882	41,427	-	41,427
Realised gains and (losses)	10,669	-	10,669	2,697	-	2,697	13,366	-	13,366
Fair value gains and (losses)	30,259	-	30,259	791	-	791	31,050	-	31,050
Other operating income	2,919	-	2,919	224	-	224	3,143	-	3,143
Net benefits and claims	(902,371)	100,730	(801,641)	(202,239)	-	(202,239)	(1,104,610)	100,730	(1,003,880)
Fees deducted (net)	(717,390)	-	(717,390)	(245,632)	-	(245,632)	(963,022)	-	(963,022)
(Impairment losses) / Reversal of impairment losses on financial instruments	(2,270)	-	(2,270)	642	-	642	(1,628)	-	(1,628)
Other operating expenses	(4,468)	-	(4,468)	(44)	-	(44)	(4,512)	-	(4,512)
Profit paid to participants	(4,013)	-	(4,013)	(7,802)	-	(7,802)	(11,815)	-	(11,815)
Increase in actuarial liabilities	145,644	(151,137)	(5,493)	-	-	-	145,644	(151,137)	(5,493)
Profit attributable to the Takaful Operator	(82,170)	16,859	(65,311)	-	-	-	(83,534)	16,859	(66,675)
Excess payment from participants	(161)	-	(161)	-	-	-	(161)	-	(161)
Net change in fair value on debt instruments at FVOCI	229,721	-	229,721	13,831	-	13,831	243,552	-	243,552
Withholding tax	(13,596)	-	(13,596)	(4,352)	-	(4,352)	(17,948)	-	(17,948)
Effect of movement in exchange rates	12,821	(758)	12,063	-	-	-	12,821	(758)	12,063
At 31 December 2019	7,007,658	(315,614)	6,692,044	190,051	-	190,051	7,160,242	(315,614)	6,844,628

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 12 months ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	9,204	9,571	65,311	51,018
General Takaful Fund	-	1,147	-	5,962
Wakalah fee income	253,152	234,163	1,028,949	846,860
Total Takaful Operator income	<u>262,356</u>	<u>244,881</u>	<u>1,094,260</u>	<u>903,840</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM 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	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	14,274	10,915	63,693	55,062	7,624	7,060	85,591	73,037
Accretion / (Amortisation)	(204)	(123)	(1,678)	(1,351)	(229)	(265)	(2,111)	(1,739)
	<u>14,070</u>	<u>10,792</u>	<u>62,015</u>	<u>53,711</u>	<u>7,395</u>	<u>6,795</u>	<u>83,480</u>	<u>71,298</u>
<u>Investment income - others</u>								
Rental income	207	196	1,840	1,619	34	22	3,374	520
Dividend income	59	108	1,576	1,386	-	32	1,635	1,526
Profit income	951	1,149	5,760	8,278	305	778	7,016	10,205
Accretion / (Amortisation)	(4)	(42)	(2)	(6)	(7)	(22)	(13)	(70)
Investment expenses	(47)	(25)	(433)	(254)	(1)	25	(98)	1,146
	<u>1,166</u>	<u>1,436</u>	<u>8,741</u>	<u>11,023</u>	<u>331</u>	<u>835</u>	<u>11,914</u>	<u>13,327</u>
	<u><u>15,236</u></u>	<u><u>12,228</u></u>	<u><u>70,756</u></u>	<u><u>64,734</u></u>	<u><u>7,726</u></u>	<u><u>7,630</u></u>	<u><u>95,395</u></u>	<u><u>84,625</u></u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following:

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	50,851	39,400	244,722	208,765	30,338	26,259	325,911	274,424
Accretion / (Amortisation)	(617)	(593)	(6,352)	(5,632)	(997)	(1,158)	(7,966)	(7,383)
	<u>50,234</u>	<u>38,807</u>	<u>238,370</u>	<u>203,133</u>	<u>29,341</u>	<u>25,101</u>	<u>317,945</u>	<u>267,041</u>
<u>Investment income - others</u>								
Rental income	802	797	7,056	7,676	128	245	5,399	3,509
Dividend income	393	942	7,695	9,020	-	413	8,088	10,375
Profit income	5,103	4,861	26,857	33,699	1,860	3,109	33,820	41,669
Accretion / (Amortisation)	(136)	(189)	(148)	(176)	(71)	(95)	(355)	(460)
Investment expenses	(105)	(88)	(1,915)	(1,808)	(35)	(83)	(588)	(560)
	<u>6,057</u>	<u>6,323</u>	<u>39,545</u>	<u>48,411</u>	<u>1,882</u>	<u>3,589</u>	<u>46,364</u>	<u>54,533</u>
	<u>56,291</u>	<u>45,130</u>	<u>277,915</u>	<u>251,544</u>	<u>31,223</u>	<u>28,690</u>	<u>364,309</u>	<u>321,574</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>Reversal of impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	1,311	1,087	745	962	2,056	2,049
- Financial assets not measured at FVTPL	3	460	(503)	2,109	(30)	597	(530)	3,190
	<u>3</u>	<u>460</u>	<u>808</u>	<u>3,196</u>	<u>715</u>	<u>1,559</u>	<u>1,526</u>	<u>5,239</u>
<u>Other operating income</u>								
Service charged and management fee	6,098	3,013	-	-	-	-	(7)	-
Writeback of impaired financing	2	-	-	-	-	-	2	-
Gain on disposal of assets	1	-	-	-	-	-	1	-
Other income	88	1,700	2,015	-	-	-	2,140	1,627
	<u>6,189</u>	<u>4,713</u>	<u>2,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,136</u>	<u>1,627</u>
	<u>6,192</u>	<u>5,173</u>	<u>2,822</u>	<u>3,196</u>	<u>715</u>	<u>1,559</u>	<u>3,661</u>	<u>6,866</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income (continued)

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

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>Reversal of impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	524	745	2,349	745	2,873
- Financial assets not measured at FVTPL	-	449	-	2,022	(103)	573	(103)	3,044
	-	449	-	2,546	642	2,922	642	5,917
<u>Other operating income</u>								
Service charged and management fee	18,832	11,692	-	-	-	-	-	-
Writeback of impaired financing	93	2	-	-	-	-	93	2
Gain on disposal of assets	11	-	-	-	-	-	11	-
Other income	1,264	2,349	2,919	-	224	255	4,414	2,605
	20,200	14,043	2,919	-	224	255	4,518	2,607
	20,200	14,492	2,919	2,546	866	3,177	5,160	8,524

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>Other operating expenses</u>								
Depreciation	261	(4,137)	-	-	-	-	2,469	(5,861)
Agency related expenses	(21,436)	(6,098)	-	-	-	-	(21,436)	(6,098)
Debts written off	-	-	(1)	-	-	-	(1)	-
Loss from foreign exchange	-	-	-	-	-	(1)	-	(1)
Loss on disposal of assets	-	(10)	-	-	-	-	-	(10)
Other expenses	-	(51)	(1,785)	(312)	(9)	(64)	(1,560)	(1,078)
	<u>(21,175)</u>	<u>(10,296)</u>	<u>(1,786)</u>	<u>(312)</u>	<u>(9)</u>	<u>(65)</u>	<u>(20,528)</u>	<u>(13,048)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses (continued)

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

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
<u>Reversal of impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(699)	-	-	-	(699)	-
- Financial assets not measured at FVTPL	(233)	-	(1,229)	-	-	-	(1,462)	-
	<u>(233)</u>	<u>-</u>	<u>(1,928)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,161)</u>	<u>-</u>
<u>Other operating expenses</u>								
Depreciation	(10,103)	(12,502)	-	-	-	-	(13,968)	(19,378)
Agency related expenses	(60,210)	(13,634)	-	-	-	-	(60,210)	(13,634)
Debts written off	-	-	(341)	(280)	(10)	-	(351)	(280)
Loss from foreign exchange	-	-	-	-	(3)	(5)	(3)	(5)
Loss on disposal of assets	-	(6)	-	-	-	-	-	(6)
Other expenses	(430)	(481)	(4,469)	(2,436)	(31)	(355)	(3,722)	(1,913)
	<u>(70,743)</u>	<u>(26,623)</u>	<u>(4,810)</u>	<u>(2,716)</u>	<u>(44)</u>	<u>(360)</u>	<u>(78,254)</u>	<u>(35,216)</u>
	<u>(70,976)</u>	<u>(26,623)</u>	<u>(6,738)</u>	<u>(2,716)</u>	<u>(44)</u>	<u>(360)</u>	<u>(80,415)</u>	<u>(35,216)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information

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

31 December 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	9,377	-	380	9,757	-	-	-	-	9,757	9,757
Unit trusts	-	1,944	-	1,944	-	-	-	-	1,944	1,944
Institutional Trust Account	-	-	106,038	106,038	-	-	-	-	106,038	106,038
Islamic debt securities	17,750	478,353	-	496,103	-	-	-	-	496,103	496,103
Malaysian Government Islamic papers	-	44,167	-	44,167	-	-	-	-	44,167	44,167
Investment in linked funds	37,467	-	-	37,467	-	-	-	-	37,467	37,467
	64,594	524,464	106,418	695,476	-	-	-	-	695,476	695,476

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Family Takaful										
Financial assets										
Equity securities	324,087	-	-	324,087	-	-	-	-	324,087	324,087
Unit trusts	32,348	12,036	-	44,384	-	-	-	-	44,384	44,384
Institutional Trust Account	-	-	367,761	367,761	-	-	-	-	367,761	367,761
Islamic debt securities	139,050	3,308,279	-	3,447,329	-	-	-	-	3,447,329	3,447,329
Malaysian Government Islamic papers	-	449,944	-	449,944	-	-	-	-	449,944	449,944
	495,485	3,770,259	367,761	4,633,505	-	-	-	-	4,633,505	4,633,505

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Institutional Trust Account	-	-	57,053	57,053	-	-	-	-	57,053	57,053
Islamic debt securities	-	309,373	-	309,373	-	-	-	-	309,373	309,373
Malaysian Government Islamic papers	-	5,521	-	5,521	-	-	-	-	5,521	5,521
	-	314,894	57,053	371,947	-	-	-	-	371,947	371,947
Group										
Financial assets										
Equity securities	333,464	-	380	333,844	-	-	-	-	333,844	333,844
Unit trusts	32,348	13,980	-	46,328	-	-	-	-	46,328	46,328
Institutional Trust Account	-	-	530,852	530,852	-	-	-	-	530,852	530,852
Islamic debt securities	156,800	4,096,005	-	4,252,805	-	-	-	-	4,252,805	4,252,805
Malaysian Government Islamic papers	-	499,632	-	499,632	-	-	-	-	499,632	499,632
	522,612	4,609,617	531,232	5,663,461	-	-	-	-	5,663,461	5,663,461

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2018	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	19,108	-	380	19,488	-	-	-	-	19,488	19,488
Unit trusts	3,797	7,043	-	10,840	-	-	-	-	10,840	10,840
Institutional Trust Account	-	-	55,141	55,141	-	-	-	-	55,141	55,141
Islamic debt securities	15,340	427,502	-	442,842	-	-	-	-	442,842	442,842
Malaysian Government										
Islamic papers	-	30,050	-	30,050	-	-	-	-	30,050	30,050
Structured deposits	-	28,568	-	28,568	-	-	-	-	28,568	28,568
Investment in linked funds	36,103	-	-	36,103	-	-	-	-	36,103	36,103
	74,348	493,163	55,521	623,032	-	-	-	-	623,032	623,032

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2018	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Family Takaful										
Financial assets										
Equity securities	298,905	-	-	298,905	-	-	-	-	298,905	298,905
Unit trusts	38,166	32,830	-	70,996	-	-	-	-	70,996	70,996
Institutional Trust Account	-	-	220,881	220,881	-	-	-	-	220,881	220,881
Islamic debt securities Malaysian Government	120,383	3,148,649	-	3,269,032	-	-	-	-	3,269,032	3,269,032
Islamic papers	-	323,698	-	323,698	-	-	-	-	323,698	323,698
Structured deposits	-	188,598	-	188,598	-	-	-	-	188,598	188,598
	457,454	3,693,775	220,881	4,372,110	-	-	-	-	4,372,110	4,372,110

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2018	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
General Takaful										
Unit trusts	1,199	-	-	1,199	-	-	-	-	1,199	1,199
Institutional Trust Account	-	-	42,603	42,603	-	-	-	-	42,603	42,603
Islamic debt securities	-	342,603	-	342,603	-	-	-	-	342,603	342,603
Malaysian Government Islamic papers	-	30,272	-	30,272	-	-	-	-	30,272	30,272
Structured deposits	-	27,405	-	27,405	-	-	-	-	27,405	27,405
	1,199	400,280	42,603	444,082	-	-	-	-	444,082	444,082
Group										
Financial assets										
Equity securities	318,013	-	380	318,393	-	-	-	-	318,393	318,393
Unit trusts	43,162	39,873	-	83,035	-	-	-	-	83,035	83,035
Institutional Trust Account	-	-	318,625	318,625	-	-	-	-	318,625	318,625
Islamic debt securities	135,723	3,918,754	-	4,054,477	-	-	-	-	4,054,477	4,054,477
Malaysian Government Islamic papers	-	384,020	-	384,020	-	-	-	-	384,020	384,020
Structured deposits	-	244,571	-	244,571	-	-	-	-	244,571	244,571
	496,898	4,587,218	319,005	5,403,121	-	-	-	-	5,403,121	5,403,121

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

The carrying amounts of cash and cash equivalents, and short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices in an active market and the fair value cannot be reliably measured. Please refer to respective note for the fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfer between Level 1 and 2 fair values

There is no transfer between Level 1 and 2 fair values during the period.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
At 1 January 2018	36,912	179,124	34,202	250,238
Purchases	15,000	29,000	6,000	50,000
Gains recognised in profit or loss				
Investment income - realised	2,355	9,799	1,878	14,032
Gains recognised in other comprehensive income				
Net change in fair value (unrealized)	874	2,958	523	4,355
At 31 December 2018/1 January 2019	55,141	220,881	42,603	318,625
Purchases	47,000	146,844	12,000	205,844
Maturity	-	(15,842)	-	(15,842)
Gains and losses recognised in profit or loss				
Investment income - realised	3,653	13,970	2,397	20,020
Net change in fair value	244	1,908	53	2,205
At 31 December 2019	106,038	367,761	57,053	530,852

29 Additional Information

Takaful receivables

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

<u>Days past due</u>	Family Takaful		General Takaful		Group	
	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000	31.12.2019 RM'000	31.12.2018 RM'000
Current (not past due)	84,801	74,055	114,150	62,645	198,951	136,700
1-30 days	921	218	151	621	1,072	839
31-60 days	1095	234	192	774	1,287	1,008
61-90 days	90	1,007	190	286	280	1,293
91-180 days	132	79	527	74	659	153
> 180 days	6,766	3,236	1,256	1,973	8,022	5,209
	93,805	78,829	116,466	66,373	210,271	145,202

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

29 Additional Information (continued)

Takaful receivables (continued)

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

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

	Family Takaful		General Takaful		Group	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam Malaysia Berhad	3	171	5	2,469	8	2,640

Material Impairment of Assets

Measurement of ECL

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

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

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

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

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

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

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

29 Additional Information (continued)

Material Impairment of Assets (continued)

Measurement of ECL (continued)

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

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

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

The impairment losses recognized in profit or loss is not significant to the Group.

30 Foreign exchange exposure / hedging policy

Foreign exchange exposure is only in relation to investment in the Indonesian subsidiary, which is immaterial. Therefore, hedging policy is not applicable to the Group and the Company.

31 Derivatives

The Group and Company did not enter into any derivatives for the current quarter under review and financial year ended 31 December 2019.

32 Gains/losses arising from fair value change of financial liabilities

There were no gains/losses arising from fair value changes of financial liabilities during the current quarter under review and financial year ended 31 December 2019.

33 Regulatory capital requirements

The Company's capital management policy is to optimise the efficient and effective use of resources to maximise the return on equity and provide an appropriate level of capital to protect participants and meet regulatory requirements.

The Company is required to comply with the regulatory capital requirement prescribed in the Risk Based Capital for Takaful (RBCT) Framework issued by Bank Negara Malaysia where Takaful operators are required to satisfy a minimum supervisory capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

33 Regulatory capital requirements (continued)

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

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Tier 1 capital	1,511,097	1,399,577
Tier 2 capital	162,531	33,297
Deductions	(203,564)	(231,762)
Total capital available	1,470,064	1,201,112

By Order of the Board

SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Company Secretary (MAICSA 7047477)
Kuala Lumpur, 25 February 2020