

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 Basis of Preparation

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

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 June 2020. 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 2019. 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 2019.

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 2019, 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 2020

- Amendments to MFRS 3, *Business Combination* – Definition of a Business
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Material
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

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.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2019 did not contain any qualification.

3 Seasonality of Operations

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

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 30 June 2020.

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

7 Dividends

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.

No dividend was declared for the current quarter under review.

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8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
6 months ended 30 June 2020			
Revenue from external participants	1,365,280	63,496	1,428,776
Profit before zakat and taxation	210,421	1,400	211,821
As at 30 June 2020			
Segment assets by location of assets	10,476,556	530,045	11,006,601
Segment liabilities by location of liabilities	9,109,995	452,351	9,562,346
6 months ended 30 June 2019			
Revenue from external participants	1,521,199	69,941	1,591,140
Profit/(loss) before zakat and taxation	213,728	(3,308)	210,420
As at 30 June 2019			
Segment assets by location of assets	9,297,408	538,470	9,835,878
Segment liabilities by location of liabilities	8,146,968	476,602	8,623,570

9 Investment Properties

The valuation of investment properties has been brought forward without amendment from the annual audited financial statements for the year ended 31 December 2019.

10 Material Events Subsequent to the End of the Period

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

11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2019.

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NOTES TO THE UNAUDITED INTERIM 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			6 months ended		
	30.6.2020	30.6.2019	Changes	30.6.2020	30.6.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	515,734	672,981	-23%	1,428,776	1,591,140	-10%
Gross earned contributions	438,668	630,660	-30%	1,136,993	1,337,737	-15%
Profit before zakat and tax	97,613	97,107	1%	211,821	210,420	1%
Profit after zakat and tax	76,089	80,369	-5%	177,020	176,010	1%
Profit attributable to owners of the Company	75,086	80,949	-7%	176,672	177,392	-1%

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

Operating revenue

The Group recorded operating revenue of RM1,428.8 million for the financial period ended 30 June 2020, lower as compared to RM1,591.1 million as compared to the same period last year. The decrease was mainly attributable to lower sales generated from Family Takaful business.

Profit before zakat and tax

For the 6 months period ended 30 June 2020, the Group recorded profit before zakat and tax of RM211.8 million, as compared to RM210.4 million in the same period last year.

Family Takaful

Family Takaful business generated gross earned contributions of RM772.1 million for the 6 months period ended 30 June 2020, lower as compared to RM967.5 million in the corresponding period last year. This was due to lower sales from credit-related and group medical products as the business activities have been impacted by the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") arising from the COVID-19 pandemic over the period of 84 days.

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14. Review of Performance (continued)

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

Family Takaful (continued)

The net benefits and claims for Family Takaful business decreased by 9% to RM350.1 million for the 6 months period ended 30 June 2020 from RM384.6 million in the same period of the preceding year. The decrease was mainly attributable to lower death and medical claims.

Investment income for the Family Takaful business increased by 6% to RM144.5 million as compared to RM136.7 million in the same period of the preceding year, mainly due to higher profit from fixed income investment.

For the 6 months period ended 30 June 2020, Family Takaful recorded fair value losses of RM34.3 million, decreased by RM70.2 million as compared to fair value gains of RM 35.9 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 RM364.8 million for the 6 months period ended 30 June 2020, lower as compared to RM370.4 million in the corresponding period last year. The decrease was mainly attributable to fire class as the business activities have been impacted by the MCO and CMCO arising from the COVID-19 pandemic.

The net benefits and claims for General Takaful business decreased by 18% to RM80.4 million for the 6 months period ended 30 June 2020 from RM98.3 million in the same period of the preceding year, mainly due to lower claims relating to motor class.

The investment income for the 6 months period ended 30 June 2020 was RM15.9 million, at par as compared to the same period of the preceding year of RM15.7 million.

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

Operating revenue

For the second quarter ended 30 June 2020, the Group generated operating revenue of RM515.7 million as compared to RM673.0 million in the corresponding quarter of the preceding year. The decrease was mainly attributable to lower sales generated by Family Takaful business.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM97.6 million, at par as compared to RM97.1 million in the same period last year.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM275.8 million as compared to RM464.6 million in the same period last year. The decrease is mainly attributable to lower sales from credit-related products as the business activities have been impacted by the MCO and CMCO arising from the COVID-19 pandemic.

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14.2 Financial results of the current quarter against preceding year corresponding quarter (continued)

Family Takaful (continued)

For the quarter under review, Family Takaful business recorded net benefits and claims of RM135.5 million, a decrease of 24% as compared to the corresponding quarter of preceding year. The decrease was mainly due to lower surrender, death and medical claims.

Investment income for the Family Takaful business for the current year quarter of RM72.3 million, is higher as compared to RM70.5 million in the corresponding quarter last year, mainly due to higher profit from fixed income investments.

For the current quarter under review, Family Takaful recorded fair value gains of RM45.2 million, increased by RM29.8 million as compared to same period last year. The higher gains were mainly due to the equity market performance.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM162.8 million, decreased as compared to RM166.2 million in the corresponding quarter of preceding year. The decrease was mainly from fire class as the business activities have been impacted by the MCO and CMCO arising from the COVID-19 pandemic.

General Takaful business recorded net benefits and claims of RM22.8 million for the quarter under review, a decrease of 49% as compared to the corresponding quarter of preceding year. The decrease was mainly due to lower claims relating to motor class.

Investment income for the General Takaful business of RM7.8 million is at par as compared to RM7.9 million in the corresponding quarter of preceding year.

14.3 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM63.5 million, decreased as compared to the same period of the preceding year, whilst the gross earned contribution decreased to RM52.5 million as compared to RM58.8 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM1.4 million for the 6 months period ended 30 June 2020 as compared to loss before zakat and tax of RM3.3 million in the same period of preceding year. The higher result was mainly due to release of expense reserves and higher surplus from Risk Fund. The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The Takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 30 June 2020, total assets increased by 6% to RM11,006.6 million as compared to RM10,346.1 million as at 31 December 2019, mainly attributable to the increase in other investments, loans and receivables, excluding takaful receivables, cash and cash equivalents and retakaful assets.

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14. Review of Performance (continued)

14.4 Review of Statements of Financial Position (continued)

As compared to 31 December 2019, other investments increased from RM5,663.4 million to RM5,929.0 million as at 30 June 2020, 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.

Loans and receivables, excluding takaful receivables increased by RM150.2 million to RM2,781.0 million as at 30 June 2020, mainly attributable to higher placement in fixed and call deposit at licenced institutions with maturity more than 3 months.

Retakaful assets increased from RM755.8 million to RM855.8 million mainly due to additional retakaful reserving.

Cash and cash equivalents increased by RM108.9 million to RM712.1 million as at 30 June 2020, mainly attributable to higher placement in fixed and call deposit at licenced institutions with maturity less than 3 months.

Total liabilities increased to RM9,562.3 million as compared to RM9,091.6 million as at 31 December 2019, mainly attributable to the increase in Takaful contract liabilities by RM456.7 million. The increase in Takaful contract liabilities from RM8,258.2 million as at 31 December 2019 to RM8,714.9 million as at 30 June 2020 was in line with the higher in force certificates and higher unallocated surplus.

Shareholders' equity increased by 15% to RM1,444.3 million as at 30 June 2020. This is mainly attributed to the increase in distributable retained earnings of RM189.7 million.

14.5 Review of Statements of Cash flows

For the 6 months period ended 30 June 2020, the Group's cash flow position of RM712.1 million is healthy and strong. The ratio of cash flow from operating activities to profit for the period was 53.0% 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 30.06.2020 RM'000	Immediate Preceding Quarter 31.03.2020 RM'000	Changes %
Operating revenue	515,734	913,042	-44%
Gross earned contributions	438,668	698,325	-37%
Profit before zakat and tax	97,613	114,208	-15%
Profit after zakat and tax	76,089	100,931	-25%
Profit attributable to owners of the Company	75,086	101,586	-26%

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

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM515.7 million, lower as compared to RM913.0 million in the immediate preceding quarter. The decrease is mainly attributable to lower sales generated from Family Takaful business as the business activities have been impacted by the MCO and CMCO arising from the COVID-19 pandemic.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM97.6 million, lower as compared to the immediate preceding quarter of RM114.2 million. The decrease in profit was mainly attributable to lower net wakalah fee income arising from lower sales generated from Family Takaful.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM275.8 million as compared to RM496.3 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from credit-related and group medical products as the business activities have been impacted by the MCO and CMCO arising from the COVID-19 pandemic.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM135.5 million, decrease by 37% as compared to the immediate preceding quarter of RM214.6 million. The decrease was mainly due to lower death, surrender and medical claims.

For the current quarter under review, Family Takaful business recorded investment income of RM72.3 million, at par as compared to the immediate preceding quarter.

For the current quarter under review, Family Takaful recorded fair value gain of RM45.2 million as compared to fair value loss of RM79.6 million immediate preceding quarter. The increase was mainly due to the equity market performance.

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM162.8 million, lower as compared to RM202.0 million in the immediate preceding quarter. The decrease was mainly contributed from fire and commercial classes as the business activities have been impacted by the MCO and CMCO arising from the COVID-19 pandemic.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM22.8 million, decrease by 60% as compared to the immediate preceding quarter. The decrease was mainly due to lower claims relating to fire, motor and commercial classes during the MCO and CMCO period.

For the current quarter under review, General Takaful business recorded investment income of RM7.8 million for the quarter, at par as compared to the investment income of RM8.1 million in the immediate preceding quarter.

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16 Current Year Prospects

The COVID-19 pandemic and associated economic impact are posing some challenges and many uncertainties to the Malaysian economy and insurance and takaful industry. The Group is adjusting for a very different market and operating landscape as concerns on job security remain heightened and consumers will be more cautious on their spending. It is expected that economic activities will take some time to recover. Amid the uncertainties in current economic environment to support business expansion, the Group remains vigilant and cautious in managing business growth and risk profile of our portfolio.

As a pioneer and early adopter of online distribution and new digital technologies in supporting our distribution channels, we are able to eliminate some sales and operational challenges faced during the Movement Control Order (“MCO”) period. Particularly, we have a wide range of online takaful products that customers can easily access our affordable online insurance solutions at their fingertips especially during the COVID-19 outbreak. We have increased our presence in the social media to cross sell our online products especially targeting the customers who may not have access to intermediaries for face to face selling.

To sustain its market leading position and to support business growth and customer centricity, the Group will continue with its innovative strategies via the implementation of its digital strategy, online solutions and digital ecosystem, expansion of its distribution capabilities, strategic partnerships with leading Islamic banks and brand awareness initiatives. 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.

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 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Current tax expense:				
- Current financial period	17,853	13,205	35,254	32,475
Deferred tax expense:				
- Current financial period	3,335	3,244	(1,089)	1,312
Total tax expense	<u>21,188</u>	<u>16,449</u>	<u>34,165</u>	<u>33,787</u>

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

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

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

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

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 June 2020.

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 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Owners of the Company (RM'000)	75,086	80,949	176,672	177,392
Weighted average number of ordinary shares in issue ('000)	826,793	826,681	826,793	824,840
Basic EPS (sen)	9.08	9.79	21.37	21.51

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 6 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
Owners of the Company (RM'000)	75,086	80,949	176,672	177,392
Weighted average number of ordinary shares in issue ('000)	826,793	826,681	826,793	824,840
Effects of dilution ('000)	3,255	2,198	3,255	2,198
Diluted weighted average number of ordinary shares in issue ('000)	830,048	828,879	830,048	827,038
Diluted EPS (sen)	9.05	9.77	21.28	21.45

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 June 2020			31 December 2019		
	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	38,020	(11,468)	26,552	39,182	(8,493)	30,689
Provision for IBNR	137,341	(47,051)	90,290	133,692	(45,417)	88,275
Provision for outstanding claims	175,361	(58,519)	116,842	172,874	(53,910)	118,964
Actuarial liabilities	5,739,059	(342,219)	5,396,840	5,593,304	(315,614)	5,277,690
Unallocated surplus	1,053,181	-	1,053,181	916,155	-	916,155
Fair value reserves	323,054	-	323,054	257,242	-	257,242
Net asset value attributable to unitholders	236,530	-	236,530	240,957	-	240,957
Participants' fund	7,351,824	(342,219)	7,009,605	7,007,658	(315,614)	6,692,044
	7,527,185	(400,738)	7,126,447	7,180,532	(369,524)	6,811,008

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23 Takaful Contract Liabilities (continued)

	30 June 2020			31 December 2019		
	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	343,006	(228,635)	114,371	302,067	(190,182)	111,885
Provision for IBNR	271,087	(135,616)	135,471	228,657	(105,456)	123,201
Provision for outstanding claims	614,093	(364,251)	249,842	530,724	(295,638)	235,086
Provision for unearned contributions	411,578	(90,813)	320,765	394,340	(90,634)	303,706
	1,025,671	(455,064)	570,607	925,064	(386,272)	538,792
Unallocated surplus	177,075	-	177,075	173,962	-	173,962
Fair value reserves	22,307	-	22,307	16,089	-	16,089
Participants' fund	199,382	-	199,382	190,051	-	190,051
	1,225,053	(455,064)	769,989	1,115,115	(386,272)	728,843

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23 Takaful Contract Liabilities (continued)

	30 June 2020			31 December 2019		
	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	381,026	(240,103)	140,923	341,249	(198,675)	142,574
Provision for IBNR	408,428	(182,667)	225,761	362,349	(150,873)	211,476
Provision for outstanding claims	789,454	(422,770)	366,684	703,598	(349,548)	354,050
Provision for unearned contributions	411,578	(90,813)	320,765	394,340	(90,634)	303,706
	1,201,032	(513,583)	687,449	1,097,938	(440,182)	657,756
Actuarial liabilities	5,739,059	(342,219)	5,396,840	5,593,304	(315,614)	5,277,690
Unallocated surplus	1,230,256	-	1,230,256	1,090,117	-	1,090,117
Fair value reserves	345,361	-	345,361	273,331	-	273,331
Net asset value attributable to unitholders	199,154	-	199,154	203,490	-	203,490
Participants' fund	7,513,830	(342,219)	7,171,611	7,160,242	(315,614)	6,844,628
	8,714,862	(855,802)	7,859,060	8,258,180	(755,796)	7,502,384

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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 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	(1,928)	-	(1,928)	642	-	642	(1,286)	-	(1,286)
Other operating expenses	(4,810)	-	(4,810)	(44)	-	(44)	(4,854)	-	(4,854)
Profit paid to participants	(4,013)	-	(4,013)	(7,802)	-	(7,802)	(11,815)	-	(11,815)
Movement 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	(162)	-	(162)	-	-	-	(162)	-	(162)
Net change in fair value on debt instruments at FVOCI	229,722	-	229,722	13,831	-	13,831	243,553	-	243,553
Tax expense	(9,743)	-	(9,743)	(3,329)	-	(3,329)	(13,072)	-	(13,072)
Withholding tax paid	(3,853)	-	(3,853)	(1,023)	-	(1,023)	(4,876)	-	(4,876)
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

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 2020	7,007,658	(315,614)	6,692,044	190,051	-	190,051	7,160,242	(315,614)	6,844,628
Net earned contributions	772,096	(64,569)	707,527	214,469	-	214,469	986,565	(64,569)	921,996
Investment income on financial assets not measured at FVTPL	127,590	-	127,590	15,491	-	15,491	143,081	-	143,081
Investment income - others	16,941	-	16,941	446	-	446	17,387	-	17,387
Realised gains and losses	17,399	-	17,399	-	-	-	17,399	-	17,399
Fair value gains and losses	(34,339)	-	(34,339)	(127)	-	(127)	(34,466)	-	(34,466)
Other operating income	436	-	436	96	-	96	532	-	532
Net benefits and claims	(399,302)	49,214	(350,088)	(80,437)	-	(80,437)	(479,739)	49,214	(430,525)
Fees deducted (net)	(277,776)	-	(277,776)	(119,645)	-	(119,645)	(397,421)	-	(397,421)
Impairment losses on financial instruments	(3,417)	-	(3,417)	(17)	-	(17)	(3,434)	-	(3,434)
Other operating expenses	(2,476)	-	(2,476)	(382)	-	(382)	(2,858)	-	(2,858)
Profit paid to participants	(2,018)	-	(2,018)	(4,542)	-	(4,542)	(6,560)	-	(6,560)
Movement in actuarial liabilities	110,037	(25,946)	84,091	-	-	-	110,037	(25,946)	84,091
Profit attributable to the Takaful Operator	(45,805)	15,355	(30,450)	(23,025)	-	(23,025)	(68,739)	15,355	(53,384)
Excess payment from participants	(69)	-	(69)	-	-	-	(69)	-	(69)
Net change in fair value on debt instruments at FVOCI	65,814	-	65,814	6,218	-	6,218	72,032	-	72,032
Tax expense	(1,794)	-	(1,794)	1,328	-	1,328	(466)	-	(466)
Withholding tax paid	(5,959)	-	(5,959)	(542)	-	(542)	(6,501)	-	(6,501)
Effect of movement in exchange rates	6,808	(659)	6,149	-	-	-	6,808	(659)	6,149
At 30 June 2020	7,351,824	(342,219)	7,009,605	199,382	-	199,382	7,513,830	(342,219)	7,171,611

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 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Surplus transfer from:				
Family Takaful Fund	22,926	19,532	30,450	40,900
General Takaful Fund	15,145	-	23,025	-
Wakalah fee income	144,383	226,084	437,918	519,653
Total Takaful Operator income	<u>182,454</u>	<u>245,616</u>	<u>491,393</u>	<u>560,553</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	
	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	14,512	12,307	66,013	61,547	7,890	7,720	88,414	81,574
Accretion / (Amortisation)	(216)	(147)	(1,667)	(1,587)	(185)	(269)	(2,067)	(2,003)
	<u>14,296</u>	<u>12,160</u>	<u>64,346</u>	<u>59,960</u>	<u>7,705</u>	<u>7,451</u>	<u>86,347</u>	<u>79,571</u>
<u>Investment income - others</u>								
Rental income	238	198	1,832	1,770	66	5	1,446	681
Dividend income	43	1,097	1,108	3,386	-	-	1,151	4,483
Profit income	855	691	4,115	5,912	6	471	4,977	7,074
Accretion / (Amortisation)	(9)	(45)	1,506	(49)	84	(22)	1,580	(116)
Investment expenses	(61)	(36)	(657)	(476)	(17)	(14)	(362)	(166)
	<u>1,066</u>	<u>1,905</u>	<u>7,904</u>	<u>10,543</u>	<u>139</u>	<u>440</u>	<u>8,792</u>	<u>11,956</u>
	<u>15,362</u>	<u>14,065</u>	<u>72,250</u>	<u>70,503</u>	<u>7,844</u>	<u>7,891</u>	<u>95,139</u>	<u>91,527</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	28,467	23,321	130,900	118,912	15,865	15,051	175,232	157,284
Accretion / (Amortisation)	(446)	(266)	(3,310)	(2,999)	(374)	(500)	(4,130)	(3,765)
	<u>28,021</u>	<u>23,055</u>	<u>127,590</u>	<u>115,913</u>	<u>15,491</u>	<u>14,551</u>	<u>171,102</u>	<u>153,519</u>
<u>Investment income - others</u>								
Rental income	445	388	3,578	3,453	131	64	2,844	1,321
Dividend income	119	1,724	3,624	4,980	-	-	3,743	6,704
Profit income	1,834	1,331	9,406	13,485	262	1,155	11,502	15,971
Accretion / (Amortisation)	(14)	(89)	1,481	(98)	76	(43)	1,543	(230)
Investment expenses	(78)	(54)	(1,148)	(984)	(23)	(23)	(506)	(358)
	<u>2,306</u>	<u>3,300</u>	<u>16,941</u>	<u>20,836</u>	<u>446</u>	<u>1,153</u>	<u>19,126</u>	<u>23,408</u>
	<u>30,327</u>	<u>26,355</u>	<u>144,531</u>	<u>136,749</u>	<u>15,937</u>	<u>15,704</u>	<u>190,228</u>	<u>176,927</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	188	336	-	-	-
- Financial assets not measured at FVTPL	12	-	-	(186)	(4)	-	-	-
	<u>12</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>332</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other operating income</u>								
Service charged and management fee	3,553	4,271	-	-	-	-	-	-
Gain on disposal of assets	15	5	-	-	-	-	15	5
Other income	719	324	252	22	72	12	1,043	357
	<u>4,287</u>	<u>4,600</u>	<u>252</u>	<u>22</u>	<u>72</u>	<u>12</u>	<u>1,058</u>	<u>362</u>
	<u>4,299</u>	<u>4,600</u>	<u>252</u>	<u>24</u>	<u>404</u>	<u>12</u>	<u>1,058</u>	<u>362</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 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Financial assets not measured at FVTPL	7	-	-	-	-	-	-	-
	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other operating income</u>								
Service charged and management fee	9,751	7,819	-	-	-	-	-	-
Writeback of impaired financing	68	91	-	-	-	-	68	91
Gain on disposal of assets	20	10	-	-	-	-	20	10
Other income	1,123	606	436	113	96	53	1,655	772
	<u>10,962</u>	<u>8,526</u>	<u>436</u>	<u>113</u>	<u>96</u>	<u>53</u>	<u>1,743</u>	<u>873</u>
	<u>10,969</u>	<u>8,526</u>	<u>436</u>	<u>113</u>	<u>96</u>	<u>53</u>	<u>1,743</u>	<u>873</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(1,689)	-	-	(1,077)	(1,353)	(889)
- Financial assets not measured at FVTPL	-	(3)	(126)	-	-	(4)	(118)	(193)
	<u>-</u>	<u>(3)</u>	<u>(1,815)</u>	<u>-</u>	<u>-</u>	<u>(1,081)</u>	<u>(1,471)</u>	<u>(1,082)</u>
<u>Other operating expenses</u>								
Depreciation	(2,170)	(3,587)	-	-	-	-	(3,101)	(5,605)
Agency related expenses	(12,598)	(10,831)	-	-	-	-	(12,598)	(10,831)
Debts written off	-	-	-	(38)	-	-	-	(38)
Loss from foreign exchange	-	-	-	-	-	(3)	-	(3)
Other expenses	-	(112)	(678)	(599)	(369)	(7)	(754)	(421)
	<u>(14,768)</u>	<u>(14,530)</u>	<u>(678)</u>	<u>(637)</u>	<u>(369)</u>	<u>(10)</u>	<u>(16,453)</u>	<u>(16,898)</u>
	<u>(14,768)</u>	<u>(14,533)</u>	<u>(2,493)</u>	<u>(637)</u>	<u>(369)</u>	<u>(1,091)</u>	<u>(17,924)</u>	<u>(17,980)</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 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000	30.6.2020 RM'000	30.06.2019 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(2,870)	(1,404)	(9)	(2,341)	(2,879)	(3,745)
- Financial assets not measured at FVTPL	-	(90)	(547)	(302)	(8)	(29)	(548)	(421)
	-	(90)	(3,417)	(1,706)	(17)	(2,370)	(3,427)	(4,166)
<u>Other operating expenses</u>								
Depreciation	(4,425)	(7,136)	-	-	-	-	(6,488)	(11,168)
Agency related expenses	(28,900)	(18,789)	-	-	-	-	(28,900)	(18,789)
Loss from foreign exchange	-	-	-	-	-	(3)	-	(3)
Debts written off	-	-	(678)	(338)	-	-	(678)	(338)
Other expenses	(126)	(268)	(1,798)	(1,193)	(382)	(17)	(1,700)	(841)
	(33,451)	(26,193)	(2,476)	(1,531)	(382)	(20)	(37,766)	(31,139)
	(33,451)	(26,283)	(5,893)	(3,237)	(399)	(2,390)	(41,193)	(35,305)

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information

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

30 June 2020	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	7,307	-	-	7,307	-	-	-	-	7,307	7,307
Unit trusts	573	2,795	-	3,368	-	-	-	-	3,368	3,368
Institutional Trust Account	-	-	104,749	104,749	-	-	-	-	104,749	104,749
Islamic debt securities	106,287	382,829	-	489,116	-	-	-	-	489,116	489,116
Malaysian Government Islamic papers	-	22,817	-	22,817	-	-	-	-	22,817	22,817
Investment in linked funds	37,375	-	-	37,375	-	-	-	-	37,375	37,375
	151,542	408,441	104,749	664,732	-	-	-	-	664,732	664,732

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

30 June 2020	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	257,195	-	-	257,195	-	-	-	-	257,195	257,195
Unit trusts	18,090	12,177	-	30,267	-	-	-	-	30,267	30,267
Institutional Trust Account	-	-	477,702	477,702	-	-	-	-	477,702	477,702
Islamic debt securities	146,130	3,515,442	-	3,661,572	-	-	-	-	3,661,572	3,661,572
Malaysian Government Islamic papers	-	507,450	-	507,450	-	-	-	-	507,450	507,450
	421,415	4,035,069	477,702	4,934,186	-	-	-	-	4,934,186	4,934,186

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

30 June 2020	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	-	-	58,393	58,393	-	-	-	-	58,393	58,393
Islamic debt securities	-	303,276	-	303,276	-	-	-	-	303,276	303,276
Malaysian Government Islamic papers	-	5,757	-	5,757	-	-	-	-	5,757	5,757
	-	309,033	58,393	367,426	-	-	-	-	367,426	367,426
Group										
Financial assets										
Equity securities	264,502	-	-	264,502	-	-	-	-	264,502	264,502
Unit trusts	18,663	14,972	-	33,635	-	-	-	-	33,635	33,635
Institutional Trust Account	-	-	640,844	640,844	-	-	-	-	640,844	640,844
Islamic debt securities	252,417	4,201,547	-	4,453,964	-	-	-	-	4,453,964	4,453,964
Malaysian Government Islamic papers	-	536,024	-	536,024	-	-	-	-	536,024	536,024
	535,582	4,752,543	640,844	5,928,969	-	-	-	-	5,928,969	5,928,969

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		
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 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 2019	55,141	220,881	42,603	318,625
Purchases	47,000	146,844	12,000	205,844
Maturity	-	(15,842)	-	(15,842)
Gains 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 2019/1 January 2020	106,038	367,761	57,053	530,852
Purchases	-	100,000	-	100,000
Disposal	(3,744)	-	-	(3,744)
Gains and losses recognised in profit or loss				
Investment income – realised	2,113	9,656	1,365	13,134
Net change in fair value	342	285	(25)	602
At 30 June 2020	104,749	477,702	58,393	640,844

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:

	Family Takaful		General Takaful		Group	
	30.6.2020 RM'000	31.12.2019 RM'000	30.6.2020 RM'000	31.12.2019 RM'000	30.6.2020 RM'000	31.12.2019 RM'000
<u>Days past due</u>						
Current (not past due)	161,560	84,801	58,900	114,150	220,460	198,951
1-30 days	29,111	921	2420	151	31,531	1,072
31-60 days	58	1095	161	192	219	1,287
61-90 days	238	90	145	190	383	280
91-180 days	178	132	560	527	738	659
> 180 days	3,884	6,766	1,100	1,256	4,984	8,022
	195,029	93,805	63,286	116,466	258,315	210,271

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

29 Additional Information (continued)

Takaful receivables (continued)

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

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

	Family Takaful		General Takaful		Group	
	30.6.2020	31.12.2019	30.6.2020	31.12.2019	30.6.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam Malaysia Berhad	298	3	142	5	440	8

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 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.

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 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 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 30 June 2020.

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 30 June 2020.

33 Regulatory capital requirements

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

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

33 Regulatory capital requirements (continued)

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

	As at 30.6.2020 RM'000	As at 31.12.2019 RM'000
Tier 1 capital	1,601,142	1,519,250
Tier 2 capital	197,844	162,531
Deductions	(192,135)	(203,564)
Total capital available	1,606,851	1,478,217

By Order of the Board

SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Company Secretary (MAICSA 7047477)
(SSM Practicing Certificate No. 201908002446)
Kuala Lumpur, 25 August 2020