

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

1 Basis of Preparation

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

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 September 2021. 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 2020. 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 2020.

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 2020, 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 2021

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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

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

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

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

Financial year beginning on/after 1 January 2023

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

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

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

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

Alternative measurement models are provided for the different insurance coverages:

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

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1 Basis of Preparation (continued)

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

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

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

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

- Amendments to MFRS 17 *Insurance Contracts*

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

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

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

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

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

The amendments shall be applied retrospectively.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2020 did not contain any qualification.

3 Seasonality of Operations

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

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 30 September 2021.

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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.

7 Dividends

The Directors on 21 December 2020 declared an interim single tier dividend of 12.00 sen per ordinary share in respect of the financial year ended 31 December 2020 which was paid on 29 January 2021.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
9 months ended 30 September 2021			
Revenue from external participants	2,209,055	91,966	2,301,021
Profit before zakat and taxation	297,071	1,519	298,590
As at 30 September 2021			
Segment assets by location of assets	11,680,746	532,048	12,212,794
Segment liabilities by location of liabilities	9,968,874	455,336	10,424,210
9 months ended 30 September 2020			
Revenue from external participants	2,088,347	93,898	2,182,245
Profit before zakat and taxation	307,582	2,002	309,584
As at 30 September 2020			
Segment assets by location of assets	10,944,844	492,081	11,436,925
Segment liabilities by location of liabilities	9,483,237	418,896	9,902,133

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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 2020.

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 2020.

12 Effect of Changes in Composition of the Company / Group

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

13 Contingent Liabilities

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

14 Review of Performance

	3 months ended			9 months ended		
	30.9.2021	30.9.2020	Changes	30.9.2021	30.9.2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	684,317	753,469	-9%	2,301,021	2,182,245	5%
Gross earned contributions	633,126	675,436	-6%	1,973,372	1,812,429	9%
Profit before zakat and tax	88,432	97,763	-10%	298,590	309,584	-4%
Profit after zakat and tax	72,741	82,730	-12%	255,690	259,750	-2%
Profit attributable to owners of the Company	72,602	82,598	-12%	255,287	259,270	-2%

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

Operating revenue

The Group recorded operating revenue of RM2,301.0 million for the financial period ended 30 September 2021, higher by 5% as compared to RM2,182.2 million in the same period of the preceding year. The increase was mainly attributable to higher sales from both Family and General Takaful business.

Profit before zakat and tax

For the 9 months period ended 30 September 2021, the Group recorded profit before zakat and tax of RM298.6 million, lower as compared to RM309.6 million in the same period of the preceding year. This was mainly attributable to lower surplus transfer from General Takaful Fund.

Family Takaful

Family Takaful business generated gross earned contributions of RM1,339.6 million for the 9 months period ended 30 September 2021, higher by 7% as compared to RM1,255.8 million in the corresponding period last year. This was mainly due to higher sales from credit-related products.

The net benefits and claims for Family Takaful business was RM550.1 million for the 9 months period ended 30 September 2021, slightly lower as compared to RM551.0 million in the same period of the preceding year, mainly attributable to lower medical claims.

Investment income for the Family Takaful business of RM213.4 million was lower as compared to RM216.0 million in the same period of the preceding year, mainly due to lower profit income from fixed income investment.

For the 9 months period ended 30 September 2021, Family Takaful recorded fair value gains of RM9.8 million, improved as compared to fair value losses of RM10.1 million in the same period of the preceding year. The improvement in the fair value gains was mainly due to equity market performance.

General Takaful

General Takaful business generated gross earned contributions of RM633.5 million for the 9 months period ended 30 September 2021, higher by 14% as compared to RM556.4 million in same period of the preceding year. The growth was mainly attributable to motor, fire and engineering classes.

The net benefits and claims for General Takaful business increased to RM156.6 million for the 9 months period ended 30 September 2021 from RM132.2 million in the same period of the preceding year, mainly due to higher claims relating to motor and fire classes.

The investment income for the 9 months period ended 30 September 2021 was RM21.8 million as compared to the same period of the preceding year of RM23.3 million, mainly due to lower profit income from fixed income investment.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

14. Review of Performance (continued)

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

Operating revenue

For the third quarter ended 30 September 2021, the Group generated operating revenue of RM684.3 million was lower as compared to RM753.5 million in the corresponding quarter of the preceding year. The decrease was mainly attributable to lower sales generated from Family Takaful business.

Profit before zakat and tax

For the third quarter ended 30 September 2021, the Group recorded profit before zakat and tax of RM88.4 million, lower as compared to RM97.8 million in the same period last year. This was mainly attributable to lower net wakalah fee income.

Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM414.7 million, lower as compared to RM483.7 million in the same period last year. The decrease was mainly attributable to lower sales from credit-related products.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM189.9 million, lower as compared to the corresponding quarter of preceding year. The decrease was mainly due to lower surrender and medical claims.

Investment income for the Family Takaful business for the current year quarter of RM73.1 million, higher by 2% as compared to RM71.5 million in the corresponding quarter last year, mainly due to higher profit income from investment on Islamic debt securities.

For the current quarter under review, Family Takaful recorded fair value gains of RM13.6 million, lower as compared to fair value gains of RM24.2 million in same period last year. The decrease was mainly due to equity market performance.

General Takaful

For the quarter under review, General Takaful business generated gross earned contributions of RM218.4 million, increased by 14% as compared to RM191.6 million in the corresponding quarter of preceding year. The growth was mainly attributable to motor class.

General Takaful business recorded net benefits and claims of RM47.3 million for the quarter under review, lower by 9% as compared to RM51.8 million in 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 RM7.4 million, at par as compared to 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 recorded at RM92.0 million, decreased as compared to RM93.9 million in the same period of the preceding year. The gross earned contribution decreased to RM78.4 million as compared to RM78.9 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM1.5 million for the 9 months period ended 30 September 2021 as compared to RM2.0 million in the same period of preceding year. The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The Takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

14.4 Review of Statements of Financial Position

As at 30 September 2021, total assets of RM12,212.8 million were higher as compared to RM11,793.1 million as at 31 December 2020, mainly attributable to the increase in other investments, but partially offset by the decrease in loans and receivables, excluding takaful receivables.

Other investments increased from RM6,631.5 million to RM7,603.7 million as at 30 September 2021, mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and unit trusts. The increase was mainly attributable to new purchases.

Loans and receivables, excluding takaful receivables decreased from RM2,549.9 million to RM1,987.3 million as at 30 September 2021, mainly attributable to lower placement in fixed and call deposits at licenced institutions with maturity more than 3 months.

Total liabilities increased to RM10,424.2 million as at 30 September 2021 as compared to RM10,251.3 million as at 31 December 2020, was mainly attributable to the increase in Takaful contract liabilities, but partially offset by the decrease in other payables.

Takaful contract liabilities increased from RM9,223.6 million as at 31 December 2020 to RM9,518.1 million as at 30 September 2021, which was in line with Group's business growth.

Other payables decreased by 25% to RM329.2 million as at 30 September 2021, was mainly attributable to the payment of the dividends to shareholders on 29 January 2021 and lower advanced takaful contribution.

Shareholders' equity increased by 16% to RM1,788.6 million as at 30 September 2021. This is mainly attributed to the increase in distributable retained profits of RM255.4 million.

14.5 Review of Statements of Cash flows

For the 9 months period ended 30 September 2021, the Group's cash flow position of RM793.0 million is healthy and strong. The ratio of cash flow from operating activities to profit for the current quarter under review was 76.2% which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 30.9.2021 RM'000	Immediate Preceding Quarter 30.6.2021 RM'000	Changes %
Operating revenue	684,317	701,209	-2%
Gross earned contributions	633,126	641,351	-1%
Profit before zakat and tax	88,432	95,723	-8%
Profit after zakat and tax	72,741	81,831	-11%
Profit attributable to owners of the Company	72,602	81,541	-11%

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM684.3 million, lower as compared to RM701.2 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales generated from Family Takaful business.

Profit before zakat and tax

For the current quarter under review, the Group recorded profit before zakat and taxation of RM88.4 million, lower as compared to the immediate preceding quarter of RM95.7 million. The decrease in profit was mainly attributable to lower net wakalah fee income.

Family Takaful

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM414.7 million, lower as compared to RM444.1 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from credit-related and group medical products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM189.9 million, increased as compared to the immediate preceding quarter of RM175.9 million. The increase was mainly attributable to higher death claims during the period.

For the current quarter under review, Family Takaful business recorded investment income of RM73.1 million, higher as compared to the immediate preceding quarter of RM71.1 million. The increase was mainly attributable to higher profit income from fixed income investment.

For the current quarter under review, Family Takaful recorded fair value gains of RM13.6 million as compared to fair value losses of RM4.9 million in the immediate preceding quarter. The increase was mainly due to 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 RM218.4 million, higher by 11% as compared to RM197.2 million in the immediate preceding quarter. The increase was mainly contributed to higher sales from motor class.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM47.3 million, 11% lower as compared to RM53.3 million in the immediate preceding quarter. The decrease was mainly due to lower claims relating to motor and engineering classes.

For the current quarter under review, General Takaful business recorded investment income of RM7.4 million for the quarter, almost at par as compared to the investment income of RM7.3 million in the immediate preceding quarter.

16 Current Year Prospects

Malaysia's economy is expected to gradually recover, supported by the National Recovery Programme with the high vaccination rate nationwide, reopening of various economic sectors, and the implementation of economic and fiscal stimulus measures.

It is expected that economic activities may still take some time to recover as concerns on job security remain heightened and consumers will be more cautious on their spending. Amid the uncertainties in current economic environment to support business expansion, the Group will continue with its strategic initiatives to strengthen its business resilience to respond to the dynamic development of Covid 19 pandemic situation, and will remain vigilant and cautious in managing operating costs, business growth and risk profile of our portfolio.

As a forerunner and early embracer of online distribution as well as new digital technologies in supporting our distribution channels, we are able to minimise some sales and operational challenges faced during the COVID-19 pandemic period. Our digital and technology capabilities have enabled us to maintain uninterrupted business services to all our sales intermediaries, bank partners, and customers. 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 recently launched a new motor takaful plan (Takaful myClick Motor FlexiSave) with Pay As You Drive daily cover to allow greater flexibility to save more as well as to meet the needs of the modern-day 'mobile generation'. In line with the rapid pace of digital expansion in consumer purchases, our greater presence in the social media marketing to promote our online products continues to increase our reach to the customers who may not have access to intermediaries for face to face selling, and enhance our branding as the leading takaful operator with innovative takaful solutions. We are also truly honoured to be recognized once again by Malaysians as the Best Motor Takaful Company Award in Malaysia for 2021/22.

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

18 Taxation

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

	3 months ended		Cumulative 9 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
Current tax expense:				
- Current financial period	15,540	14,911	43,277	50,165
- (Over) / Under provision in prior year	-	(1,203)	424	(1,203)
Deferred tax expense:				
- Current financial period	(164)	1,012	(1,751)	(77)
Total tax expense	<u>15,376</u>	<u>14,720</u>	<u>41,950</u>	<u>48,885</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. However, the hearing was postponed to later date and the next court mention is fixed on 10th January 2022.

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 September 2021.

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21 Material Litigation

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

22 Earnings per Share

Basic earnings per share (“Basic EPS”)

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

	3 months ended		Cumulative 9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Owners of the Company (RM'000)	72,602	82,598	255,287	259,270
Weighted average number of ordinary shares in issue ('000)	835,622	829,088	833,905	828,289
Basic EPS (sen)	8.69	9.96	30.61	31.30

Diluted earnings per share (“Diluted EPS”)

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

	3 months ended		Cumulative 9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
Owners of the Company (RM'000)	72,602	82,598	255,287	259,270
Weighted average number of ordinary shares in issue ('000)	835,622	829,088	833,905	828,289
Effects of dilution ('000)	1,434	1,428	1,434	1,428
Diluted weighted average number of ordinary shares in issue ('000)	837,056	830,516	835,339	829,717
Diluted EPS (sen)	8.67	9.95	30.56	31.25

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 2021			31 December 2020		
	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	55,233	(16,386)	38,847	45,886	(10,103)	35,783
Provision for IBNR	153,242	(55,188)	98,054	173,595	(51,430)	122,165
Provision for outstanding claims	208,475	(71,574)	136,901	219,481	(61,533)	157,948
Actuarial liabilities	6,286,941	(352,230)	5,934,711	5,971,561	(346,120)	5,625,441
Unallocated surplus	1,233,797	-	1,233,797	1,099,833	-	1,099,833
Fair value reserves	118,958	-	118,958	326,172	-	326,172
Net asset value attributable to unitholders	258,412	(1,301)	257,111	253,751	-	253,751
Participants' fund	7,898,108	(353,531)	7,544,577	7,651,317	(346,120)	7,305,197
	8,106,583	(425,105)	7,681,478	7,870,798	(407,653)	7,463,145

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23 Takaful Contract Liabilities (continued)

	30 September 2021			31 December 2020		
	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	424,944	(292,689)	132,255	434,985	(313,047)	121,938
Provision for IBNR	319,284	(167,341)	151,943	264,625	(143,718)	120,907
Provision for outstanding claims	744,228	(460,030)	284,198	699,610	(456,765)	242,845
Provision for unearned contributions	473,799	(103,564)	370,235	465,734	(113,784)	351,950
	1,218,027	(563,594)	654,433	1,165,344	(570,549)	594,795
Unallocated surplus	225,485	-	225,485	209,017	-	209,017
Fair value reserves	10,226	-	10,226	20,156	-	20,156
Participants' fund	235,711	-	235,711	229,173	-	229,173
	1,453,738	(563,594)	890,144	1,394,517	(570,549)	823,968

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23 Takaful Contract Liabilities (continued)

	30 September 2021			31 December 2020		
	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	480,177	(309,075)	171,102	480,871	(323,150)	157,721
Provision for IBNR	472,526	(222,529)	249,997	438,220	(195,148)	243,072
Provision for outstanding claims	952,703	(531,604)	421,099	919,091	(518,298)	400,793
Provision for unearned contributions	473,799	(103,564)	370,235	465,734	(113,784)	351,950
	<u>1,426,502</u>	<u>(635,168)</u>	<u>791,334</u>	<u>1,384,825</u>	<u>(632,082)</u>	<u>752,743</u>
Actuarial liabilities	6,286,941	(352,230)	5,934,711	5,971,561	(346,120)	5,625,441
Unallocated surplus	1,459,282	-	1,459,282	1,308,850	-	1,308,850
Fair value reserves	129,184	-	129,184	346,328	-	346,328
Net asset value attributable to unitholders	216,209	(1,301)	214,908	212,043	-	212,043
Participants' fund	<u>8,091,616</u>	<u>(353,531)</u>	<u>7,738,085</u>	<u>7,838,782</u>	<u>(346,120)</u>	<u>7,492,662</u>
	<u>9,518,118</u>	<u>(988,699)</u>	<u>8,529,419</u>	<u>9,223,607</u>	<u>(978,202)</u>	<u>8,245,405</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 2020	7,007,658	(315,614)	6,692,044	190,051	-	190,051	7,160,242	(315,614)	6,844,628
Net earned contributions	1,756,863	(121,798)	1,635,065	437,231	-	437,231	2,194,094	(121,798)	2,072,296
Investment income on financial assets not measured at FVTPL	252,996	-	252,996	30,215	-	30,215	283,211	-	283,211
Investment income - others	33,028	-	33,028	456	-	456	33,484	-	33,484
Realised gains and losses	27,843	-	27,843	2,486	-	2,486	30,329	-	30,329
Fair value gains and losses	17,156	-	17,156	(151)	-	(151)	17,005	-	17,005
Other operating income	265	-	265	253	-	253	518	-	518
Net benefits and claims	(851,915)	99,999	(751,916)	(153,156)	-	(153,156)	(1,005,071)	99,999	(905,072)
Fees deducted (net)	(571,795)	-	(571,795)	(237,215)	-	(237,215)	(809,010)	-	(809,010)
(Impairment losses) / Reversal of impairment losses on financial instruments	(2,747)	-	(2,747)	202	-	202	(2,545)	-	(2,545)
Other operating expenses	(3,751)	-	(3,751)	(690)	-	(690)	(4,441)	-	(4,441)
Profit paid to participants	(4,591)	-	(4,591)	(8,838)	-	(8,838)	(13,429)	-	(13,429)
Movement in actuarial liabilities	26,064	(31,201)	(5,137)	-	-	-	26,064	(31,201)	(5,137)
Profit attributable to the Takaful Operator	(79,866)	21,797	(58,069)	(30,756)	-	(30,756)	(114,863)	21,797	(93,066)
Excess payment from participants	(70)	-	(70)	-	-	-	(70)	-	(70)
Net change in fair value on debt instruments at FVOCI	68,752	-	68,752	4,067	-	4,067	72,819	-	72,819
Tax expense	(9,986)	-	(9,986)	(4,440)	-	(4,440)	(14,426)	-	(14,426)
Withholding tax paid	(5,959)	-	(5,959)	(542)	-	(542)	(6,501)	-	(6,501)
Effect of movement in exchange rates	(8,628)	697	(7,931)	-	-	-	(8,628)	697	(7,931)
At 31 December 2020	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662

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 2021	7,651,317	(346,120)	7,305,197	229,173	-	229,173	7,838,782	(346,120)	7,492,662
Net earned contributions	1,339,583	(98,141)	1,241,442	351,663	-	351,663	1,691,247	(98,141)	1,593,106
Investment income on financial assets not measured at FVTPL	190,841	-	190,841	21,741	-	21,741	212,582	-	212,582
Investment income - others	22,570	-	22,570	32	-	32	22,602	-	22,602
Realised gains and losses	13,641	-	13,641	-	-	-	13,641	-	13,641
Fair value gains and losses	9,802	-	9,802	-	-	-	9,802	-	9,802
Other operating income	98	-	98	41	-	41	139	-	139
Net benefits and claims	(654,530)	104,420	(550,110)	(156,590)	-	(156,590)	(811,120)	104,420	(706,700)
Fees deducted (net)	(441,444)	-	(441,444)	(174,378)	-	(174,378)	(615,822)	-	(615,822)
Impairment losses on financial instruments	(8,205)	-	(8,205)	(3,762)	-	(3,762)	(11,967)	-	(11,967)
Other operating expenses	(2,024)	-	(2,024)	(109)	-	(109)	(2,133)	-	(2,133)
Profit paid to participants	(7,046)	-	(7,046)	(7,451)	-	(7,451)	(14,497)	-	(14,497)
Movement in actuarial liabilities	43,418	(6,860)	36,558	-	-	-	43,418	(6,860)	36,558
Profit attributable to the Takaful Operator	(43,179)	(6,279)	(49,458)	(7,295)	-	(7,295)	(50,970)	(6,279)	(57,249)
Excess payment from participants	(39)	-	(39)	-	-	-	(39)	-	(39)
Net change in fair value on debt instruments at FVOCI	(207,034)	-	(207,034)	(9,929)	-	(9,929)	(216,963)	-	(216,963)
Tax expense	(6,565)	-	(6,565)	(6,773)	-	(6,773)	(13,338)	-	(13,338)
Withholding tax paid	(8,552)	-	(8,552)	(652)	-	(652)	(9,204)	-	(9,204)
Effect of movement in exchange rates	5,456	(551)	4,905	-	-	-	5,456	(551)	4,905
At 30 September 2021	7,898,108	(353,531)	7,544,577	235,711	-	235,711	8,091,616	(353,531)	7,738,085

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 9 months ended	
	30.9.2021	30.9.2020	30.9.2021	30.9.2020
	RM'000	RM'000	RM'000	RM'000
Surplus transfer from:				
Family Takaful Fund	17,524	17,763	49,458	48,213
General Takaful Fund	2,509	3,578	7,295	26,603
Wakalah fee income	206,057	227,061	684,976	664,979
Total Takaful Operator income	<u>226,090</u>	<u>248,402</u>	<u>741,729</u>	<u>739,795</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	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	15,901	13,890	67,659	65,007	7,743	7,677	91,303	86,574
Accretion / (Amortisation)	(373)	(231)	(1,970)	(1,956)	(219)	(201)	(2,562)	(2,388)
	<u>15,528</u>	<u>13,659</u>	<u>65,689</u>	<u>63,051</u>	<u>7,524</u>	<u>7,476</u>	<u>88,741</u>	<u>84,186</u>
<u>Investment income - others</u>								
Rental income	199	231	1,273	1,516	(16)	(16)	945	1,205
Dividend income	38	112	1,715	2,167	-	-	1,753	2,279
Profit income	885	766	4,985	5,412	-	70	5,870	6,248
Accretion / (Amortisation)	1	(10)	5	(26)	-	(8)	6	(44)
Investment expenses	(1)	(2)	(535)	(626)	(70)	(122)	(151)	(315)
	<u>1,122</u>	<u>1,097</u>	<u>7,443</u>	<u>8,443</u>	<u>(86)</u>	<u>(76)</u>	<u>8,423</u>	<u>9,373</u>
	<u>16,650</u>	<u>14,756</u>	<u>73,132</u>	<u>71,494</u>	<u>7,438</u>	<u>7,400</u>	<u>97,164</u>	<u>93,559</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 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	44,215	42,357	196,364	195,907	22,338	23,543	262,917	261,807
Accretion / (Amortisation)	(904)	(677)	(5,523)	(5,266)	(597)	(576)	(7,024)	(6,519)
	<u>43,311</u>	<u>41,680</u>	<u>190,841</u>	<u>190,641</u>	<u>21,741</u>	<u>22,967</u>	<u>255,893</u>	<u>255,288</u>
<u>Investment income - others</u>								
Rental income	609	676	5,155	5,094	127	115	3,846	4,049
Dividend income	137	231	5,030	5,791	-	-	5,167	6,022
Profit income	2,432	2,600	14,215	14,818	-	331	16,647	17,749
Accretion / (Amortisation)	4	(24)	9	1,455	-	69	13	1,500
Investment expenses	(66)	(80)	(1,839)	(1,774)	(95)	(145)	(657)	(821)
	<u>3,116</u>	<u>3,403</u>	<u>22,570</u>	<u>25,384</u>	<u>32</u>	<u>370</u>	<u>25,016</u>	<u>28,499</u>
	<u>46,427</u>	<u>45,083</u>	<u>213,411</u>	<u>216,025</u>	<u>21,773</u>	<u>23,337</u>	<u>280,909</u>	<u>283,787</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	447	-	-	-	-
- Financial assets not measured at FVTPL	-	-	-	(44)	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other operating income</u>								
Service charged and management fee	3,870	5,192	-	-	-	-	-	-
Writeback of impaired financing	-	68	-	123	-	-	-	191
Other income	558	445	-	624	7	77	-	1,146
	<u>4,428</u>	<u>5,705</u>	<u>-</u>	<u>747</u>	<u>7</u>	<u>77</u>	<u>-</u>	<u>1,337</u>
	<u>4,428</u>	<u>5,705</u>	<u>-</u>	<u>1,150</u>	<u>7</u>	<u>77</u>	<u>-</u>	<u>1,337</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

26 Other Operating Income (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
<u>Other operating income</u>								
Service charged and management fee	15,418	14,943	-	-	-	-	-	-
Writeback of impaired financing	-	136	-	123	-	-	-	259
Gain on disposal of assets	-	19	-	-	-	-	-	19
Other income	2,506	1,569	98	1,060	41	173	2,645	2,802
	<u>17,924</u>	<u>16,667</u>	<u>98</u>	<u>1,183</u>	<u>41</u>	<u>173</u>	<u>2,645</u>	<u>3,080</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	-	(1,105)	(763)	(69)	(316)
- Financial assets not measured at FVTPL	(1,053)	(31)	(4,381)	-	(1,370)	30	(7,840)	(45)
	<u>(1,053)</u>	<u>(31)</u>	<u>(4,381)</u>	<u>-</u>	<u>(2,475)</u>	<u>(733)</u>	<u>(7,909)</u>	<u>(361)</u>
<u>Other operating expenses</u>								
Depreciation	(2,488)	(2,224)	-	-	-	-	(3,514)	(3,148)
Agency related expenses	(11,328)	(13,186)	-	-	-	-	(11,328)	(13,186)
Debts written off	-	-	(15)	(118)	-	-	(15)	(118)
Loss on disposal of assets	(15)	-	-	-	-	-	(15)	-
Other expenses	(9)	(257)	(1,460)	(429)	(55)	(305)	(568)	(1,117)
	<u>(13,840)</u>	<u>(15,667)</u>	<u>(1,475)</u>	<u>(547)</u>	<u>(55)</u>	<u>(305)</u>	<u>(15,440)</u>	<u>(17,569)</u>
	<u>(14,893)</u>	<u>(15,698)</u>	<u>(5,856)</u>	<u>(547)</u>	<u>(2,530)</u>	<u>(1,038)</u>	<u>(23,349)</u>	<u>(17,930)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

27 Other Operating Expenses (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000	30.9.2021 RM'000	30.9.2020 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(585)	(2,423)	(2,130)	(772)	(2,715)	(3,195)
- Financial assets not measured at FVTPL	(964)	(24)	(7,620)	(591)	(1,632)	22	(10,216)	(593)
	<u>(964)</u>	<u>(24)</u>	<u>(8,205)</u>	<u>(3,014)</u>	<u>(3,762)</u>	<u>(750)</u>	<u>(12,931)</u>	<u>(3,788)</u>
<u>Other operating expenses</u>								
Depreciation	(7,313)	(6,649)	-	-	-	-	(10,378)	(9,636)
Agency related expenses	(36,521)	(42,086)	-	-	-	-	(36,521)	(42,086)
Debts written off	-	-	(17)	(796)	-	-	(17)	(796)
Loss on disposal of assets	(15)	-	-	-	-	-	(15)	-
Other expenses	(711)	(383)	(2,007)	(2,227)	(109)	(687)	(1,712)	(2,819)
	<u>(44,560)</u>	<u>(49,118)</u>	<u>(2,024)</u>	<u>(3,023)</u>	<u>(109)</u>	<u>(687)</u>	<u>(48,643)</u>	<u>(55,337)</u>
	<u>(45,524)</u>	<u>(49,142)</u>	<u>(10,229)</u>	<u>(6,037)</u>	<u>(3,871)</u>	<u>(1,437)</u>	<u>(61,574)</u>	<u>(59,125)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information

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

30 September 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
Takaful Operator										
Financial assets										
Equity securities	8,955	-	380	9,335	-	-	-	-	9,335	9,335
Unit trusts	499	3,809	-	4,308	-	-	-	-	4,308	4,308
Institutional Trust Account	-	-	110,556	110,556	-	-	-	-	110,556	110,556
Islamic debt securities	24,322	922,759	-	947,081	-	-	-	-	947,081	947,081
Malaysian Government Islamic papers	-	94,221	-	94,221	-	-	-	-	94,221	94,221
Investment in linked funds	42,204	-	-	42,204	-	-	-	-	42,204	42,204
	75,980	1,020,789	110,936	1,207,705	-	-	-	-	1,207,705	1,207,705

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
30 September 2021										
Family Takaful										
Financial assets										
Equity securities	315,333	-	-	315,333	-	-	-	-	315,333	315,333
Unit trusts	115,530	27,861	-	143,391	-	-	-	-	143,391	143,391
Institutional Trust Account	-	-	471,268	471,268	-	-	-	-	471,268	471,268
Islamic debt securities	138,025	4,469,553	-	4,607,578	-	-	-	-	4,607,578	4,607,578
Malaysian Government Islamic papers	-	505,625	-	505,625	-	-	-	-	505,625	505,625
	568,888	5,003,039	471,268	6,043,195	-	-	-	-	6,043,195	6,043,195

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
30 September 2021										
General Takaful										
Institutional Trust Account	-	-	59,765	59,765	-	-	-	-	59,765	59,765
Islamic debt securities	-	319,937	-	319,937	-	-	-	-	319,937	319,937
Malaysian Government Islamic papers	-	15,323	-	15,323	-	-	-	-	15,323	15,323
	-	335,260	59,765	395,025	-	-	-	-	395,025	395,025
Group										
Financial assets										
Equity securities	324,288	-	380	324,668	-	-	-	-	324,668	324,668
Unit trusts	116,029	31,670	-	147,699	-	-	-	-	147,699	147,699
Institutional Trust Account	-	-	641,589	641,589	-	-	-	-	641,589	641,589
Islamic debt securities	162,347	5,712,250	-	5,874,597	-	-	-	-	5,874,597	5,874,597
Malaysian Government Islamic papers	-	615,169	-	615,169	-	-	-	-	615,169	615,169
	602,664	6,359,089	641,969	7,603,722	-	-	-	-	7,603,722	7,603,722

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 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	9,434	-	380	9,814	-	-	-	-	9,814	9,814
Unit trusts	538	2,849	-	3,387	-	-	-	-	3,387	3,387
Institutional Trust Account	-	-	107,046	107,046	-	-	-	-	107,046	107,046
Islamic debt securities	21,472	684,713	-	706,185	-	-	-	-	706,185	706,185
Malaysian Government Islamic papers	-	34,280	-	34,280	-	-	-	-	34,280	34,280
Investment in linked funds	41,708	-	-	41,708	-	-	-	-	41,708	41,708
	73,152	721,842	107,426	902,420	-	-	-	-	902,420	902,420

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 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	333,740	-	-	333,740	-	-	-	-	333,740	333,740
Unit trusts	27,088	18,842	-	45,930	-	-	-	-	45,930	45,930
Institutional Trust Account	-	-	487,171	487,171	-	-	-	-	487,171	487,171
Islamic debt securities	139,084	3,924,205	-	4,063,289	-	-	-	-	4,063,289	4,063,289
Malaysian Government Islamic papers	-	494,067	-	494,067	-	-	-	-	494,067	494,067
	499,912	4,437,114	487,171	5,424,197	-	-	-	-	5,424,197	5,424,197

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 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	-	-	58,269	58,269	-	-	-	-	58,269	58,269
Islamic debt securities	-	282,590	-	282,590	-	-	-	-	282,590	282,590
Malaysian Government Islamic papers	-	5,717	-	5,717	-	-	-	-	5,717	5,717
	-	288,307	58,269	346,576	-	-	-	-	346,576	346,576
Group										
Financial assets										
Equity securities	343,174	-	380	343,554	-	-	-	-	343,554	343,554
Unit trusts	27,626	21,691	-	49,317	-	-	-	-	49,317	49,317
Institutional Trust Account	-	-	652,486	652,486	-	-	-	-	652,486	652,486
Islamic debt securities	160,556	4,891,508	-	5,052,064	-	-	-	-	5,052,064	5,052,064
Malaysian Government Islamic papers	-	534,064	-	534,064	-	-	-	-	534,064	534,064
	531,356	5,447,263	652,866	6,631,485	-	-	-	-	6,631,485	6,631,485

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

Non-derivative financial liabilities

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

Transfer between Level 1 and 2 fair values

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE 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
Institutional Trust Account				
At 1 January 2020	106,038	367,761	57,053	530,852
Purchases	-	100,000	-	100,000
Maturity	(4,111)	-	-	(4,111)
Gains recognised in profit or loss				
Investment income - realised	4,985	20,809	2,515	28,309
Net change in fair value	134	(1,399)	(1,299)	(2,564)
At 31 December 2020 / 1 January 2021	107,046	487,171	58,269	652,486
Maturity	-	(31,407)	-	(31,407)
Gains and losses recognised in profit or loss				
Investment income – realised	3,875	16,566	1,794	22,235
Net change in fair value	(365)	(1,062)	(298)	(1,725)
At 30 September 2021	110,556	471,268	59,765	641,589

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:

Days past due	Family Takaful		General Takaful		Group	
	30.9.2021 RM'000	31.12.2020 RM'000	30.9.2021 RM'000	31.12.2020 RM'000	30.9.2021 RM'000	31.12.2020 RM'000
Current (not past due)	200,795	173,476	65,867	126,125	266,662	299,601
1-30 days	-	335	452	188	452	523
31-60 days	1,045	74	35	126	1,080	200
61-90 days	305	198	706	155	1,011	353
91-180 days	20,096	5,409	818	86	20,914	5,495
> 180 days	209	2,306	3,660	968	3,869	3,274
	222,450	181,798	71,538	127,648	293,988	309,446

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 9 months from the contractual due date. The recoverability of Takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

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

	Family Takaful		General Takaful		Group	
	30.9.2021 RM'000	31.12.2020 RM'000	30.9.2021 RM'000	31.12.2020 RM'000	30.9.2021 RM'000	31.12.2020 RM'000
Bank Islam Malaysia Berhad	7	5	4	-	11	5

Material Impairment of Assets

Measurement of Expected Credit Loss ("ECL")

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

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

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

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

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

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 period ended 30 September 2021.

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

There were no gains/losses arising from fair value changes of financial liabilities during the current quarter under review and financial period ended 30 September 2021.

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 financial period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

33 Regulatory capital requirements (continued)

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

	As at 30.9.2021 RM'000	As at 31.12.2020 RM'000
Tier 1 capital	2,085,953	1,742,983
Tier 2 capital	94,243	198,670
Deductions	(295,460)	(321,448)
Total capital available	1,884,736	1,620,205

By Order of the Board

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

Kuala Lumpur, 23 November 2021