

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1 Basis of Preparation

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

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 December 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:

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 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.

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.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1 Basis of Preparation (continued)

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

Alternative measurement models are provided for the different insurance coverages:

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

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

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

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

- Amendments to MFRS 17 *Insurance Contracts*

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

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

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

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

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

The amendments shall be applied retrospectively.

### 2 Auditors' Report

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

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 3 Seasonality of Operations

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

### 4 Unusual Items

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

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.

### 8 Segmental Reporting

#### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>Financial year ended 31 December 2020</b>			
Revenue from external participants	2,832,181	124,999	2,957,180
Profit before zakat and taxation	422,150	4,671	426,821
<b>As at 31 December 2020</b>			
Segment assets by location of assets	11,258,988	534,150	11,793,138
Segment liabilities by location of liabilities	9,796,289	455,046	10,251,335

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 8 Segmental Reporting (continued)

#### Geographical Segments (continued)

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>Financial year ended 31 December 2019</b>			
Revenue from external participants	2,983,536	141,029	3,124,565
Profit before zakat and taxation	417,168	571	417,739
<b>As at 31 December 2019</b>			
Segment assets by location of assets	9,810,451	535,655	10,346,106
Segment liabilities by location of liabilities	8,631,468	460,118	9,091,586

### 9 Investment Properties

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

### 10 Material Events Subsequent to the End of the Year

There was no material event subsequent to the end of the year 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.

### 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.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 14 Review of Performance

	3 months ended			12 months ended		
	31.12.2020	31.12.2019	Changes	31.12.2020	31.12.2019	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Operating revenue	774,935	779,912	-1%	2,957,180	3,124,565	-5%
Gross earned contributions	701,652	695,395	1%	2,514,080	2,748,637	-9%
Profit before zakat and tax	117,237	85,564	37%	426,821	417,739	2%
Profit after zakat and tax	103,827	77,648	34%	363,577	366,299	-1%
Profit attributable to owners of the Company	103,150	75,105	37%	362,420	364,837	-1%

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

##### Operating revenue

The Group recorded operating revenue of RM2,957.2 million for the financial year ended 31 December 2020, lower as compared to of RM3,124.6 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 financial year ended 31 December 2020, the Group recorded profit before zakat and tax of RM426.8 million, higher as compared to RM417.7 million in the same period last year. The higher in profit was mainly attributable to savings from management expenses and release of expense reserve.

##### Family Takaful

Family Takaful business generated gross earned contributions of RM1,756.9 million for the financial year ended 31 December 2020, lower as compared to RM2,042.3 million in the corresponding period last year. This was due to lower sales from credit-related products and group medical products as the business activities have been impacted by the COVID-19 pandemic.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 14. Review of Performance (continued)

#### 14.1 Financial results of the current financial year against preceding financial year (continued)

##### Family Takaful (continued)

The net benefits and claims for Family Takaful business decreased by 6% to RM751.9 million for the financial year ended 31 December 2020 from RM801.6 million in the same period of the preceding year. The decrease was mainly attributable to lower medical claims.

Investment income for the Family Takaful business increased by 3% to RM286.0 million as compared to RM277.9 million in the same period of the preceding year, mainly due to higher profit income from fixed income investment.

For the financial year ended 31 December 2020, Family Takaful recorded fair value gains of RM17.2 million, decreased by RM13.1 million as compared to fair value gains of RM30.3 million in the same period of the preceding year. The decrease was mainly due to equity market performance.

##### General Takaful

General Takaful business generated gross earned contributions of RM756.5 million for the financial year ended 31 December 2020, higher by 7% as compared to RM706.2 million in the corresponding period last year. The growth was mainly attributable to motor class.

The net benefits and claims for General Takaful business decreased by 24% to RM153.2 million for the financial year ended 31 December 2020 from RM202.2 million in the same period of the preceding year, mainly due to lower claims relating to motor class.

The investment income for the financial year ended 31 December 2020 was RM30.7 million, at par as compared to the same period of the preceding year of RM31.2 million.

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

##### Operating revenue

For the fourth quarter ended 31 December 2020, the Group generated operating revenue of RM774.9 million, lower as compared to RM779.9 million in the corresponding quarter of the preceding year, mainly attributable to lower investment income.

##### Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM117.2 million, increase by 37% as compared to RM85.6 million in the same period last year. The increase in profit was mainly attributable to savings from management expenses and release of expense reserve.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## 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 (continued)

##### Family Takaful

For the quarter under review, Family Takaful business recorded gross earned contributions of RM501.0 million as compared to RM531.2 million in the same period last year. The decrease was mainly attributable to lower sales from credit-related products as the business activities have been impacted by the COVID-19 pandemic.

For the quarter under review, Family Takaful business recorded net benefits and claims of RM200.9 million, a decrease of 4% as compared to the corresponding quarter of preceding year. The decrease was mainly due to lower medical claims.

Investment income for the Family Takaful business for the current year quarter of RM70.0 million, at par as compared to RM70.8 million in the corresponding quarter last year.

For the current quarter under review, Family Takaful recorded fair value gains of RM27.3 million, increased by RM23.5 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 RM200.2 million, increased by 22% as compared to RM163.8 million in the corresponding quarter of preceding year. The increase was mainly attributable to motor class.

General Takaful business recorded net benefits and claims of RM20.9 million for the quarter under review, lower by 62% 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 RM7.3 million was at par as compared to RM7.7 million in the corresponding quarter of preceding year.

#### 14.3 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM125.0 million, decreased as compared to RM141.0 million in the same period of the preceding year, whilst the gross earned contribution decreased to RM105.6 million as compared to RM120.9 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM4.7 million for the financial year ended 31 December 2020 as compared to profit before zakat and tax of RM0.6 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.

# **SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

### **14.4 Review of Statements of Financial Position**

As at 31 December 2020, total assets increased by 14% to RM11,793.1 million as compared to RM10,346.1 million as at 31 December 2019, mainly attributable to the increase in other investments, intangible assets and retakaful assets.

As compared to 31 December 2019, other investments increased from RM5,663.5 million to RM6,631.5 million as at 31 December 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.

Retakaful assets increased from RM755.8 million to RM978.2 million mainly due to increase in net retakaful reserve credit and retakaful claims recovery provision.

Intangible assets increased by RM122.7 million to RM191.1 million as at 31 December 2020, mainly attributable to the new bancatakaful service agreements.

Total liabilities increased to RM10,251.3 million as compared to RM9,091.6 million as at 31 December 2019, mainly attributable to the increase in Takaful contract liabilities by RM965.4 million. The increase in Takaful contract liabilities from RM8,258.2 million as at 31 December 2019 to RM9,223.6 million as at 31 December 2020 was in line with the higher in force certificates and higher unallocated surplus.

Shareholders' equity increased by 23% to RM1,541.8 million as at 31 December 2020. This is mainly attributed to the increase in distributable retained earnings of RM262.5 million.

### **14.5 Review of Statements of Cash flows**

For the financial year ended 31 December 2020, the Group's cash flow position of RM712.6 million is healthy and strong. The ratio of cash flow from operating activities to profit for the financial year was 76.5% which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 15 Financial review for current quarter compared with immediate preceding quarter

	<b>Current Quarter 31.12.2020 RM'000</b>	<b>Immediate Preceding Quarter 30.9.2020 RM'000</b>	<b>Changes %</b>
Operating revenue	774,935	753,469	3%
Gross earned contributions	701,652	675,436	4%
Profit before zakat and tax	117,237	97,763	20%
Profit after zakat and tax	103,827	82,730	26%
Profit attributable to owners of the Company	103,150	82,598	25%

#### **Operating revenue**

For the current quarter under review, the Group generated operating revenue of RM774.9 million, higher by 3% as compared to RM753.5 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from General Takaful business.

#### **Profit before zakat and tax**

For the quarter under review, the Group recorded profit before zakat and taxation of RM117.2 million, higher by 20% as compared to the immediate preceding quarter of RM97.8 million. The increase profit was mainly attributable to savings from management expenses and release of expense reserve

#### **Family Takaful**

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM501.0 million, increased by 4% as compared to RM483.7 million in the immediate preceding quarter. The increase was mainly attributable to higher sales from credit-related product.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM200.9 million, at par as compared to the immediate preceding quarter of RM200.9 million.

For the current quarter under review, Family Takaful business recorded investment income of RM70.0 million, at par as compared to the immediate preceding quarter of RM71.5 million.

For the current quarter under review, Family Takaful recorded fair value gain of RM27.2 million as compared to fair value gain of RM24.2 million in the immediate preceding quarter. The increase was mainly due to the equity market performance.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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

#### General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM200.2 million, higher as compared to RM191.6 million in the immediate preceding quarter. The increase was mainly contributed from fire and motor classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM20.9 million, decreased by 60% as compared to RM51.8 million in the immediate preceding quarter. The decrease was mainly due to lower claims relating to motor class.

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

### 16 Current Year Prospects

The COVID-19 pandemic and associated economic impact continue posing challenges and uncertainties to the Malaysian economy and insurance and takaful industry. The Group has been taking necessary and thoughtful steps to strengthen its business resilience and adjust its operating models in managing the business in a very different market and dynamic 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 operating costs, 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 reduce 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 and 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 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.

### 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.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 18 Taxation

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

	3 months ended		Cumulative 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Current tax expense:				
- Current financial year	12,962	12,853	63,127	62,054
- Over provision in prior year	(1,405)	(4,336)	(2,608)	(12,070)
Deferred tax expense:				
- Current financial year	1,521	(896)	1,444	197
Total tax expense	<u>13,078</u>	<u>7,621</u>	<u>61,963</u>	<u>50,181</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 1<sup>st</sup> and 2<sup>nd</sup> September 2021.

### 19 Status of Corporate Proposal

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

### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 2020.

### 21 Material Litigation

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

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 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 / year by the weighted average number of ordinary shares in issue during the year.

		3 months ended		Cumulative 12 months ended	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Owners of the Company (RM'000)		103,150	75,105	362,420	364,837
Weighted average number of ordinary shares in issue	('000)	830,434	826,793	828,289	826,137
<b>Basic EPS</b>	(sen)	12.42	9.08	43.76	44.16

#### Diluted earnings per share (“Diluted EPS”)

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

		3 months ended		Cumulative 12 months ended	
		31.12.2020	31.12.2019	31.12.2020	31.12.2019
Owners of the Company (RM'000)		103,150	75,105	362,420	364,837
Weighted average number of ordinary shares in issue	('000)	830,434	826,793	828,289	826,137
Effects of dilution	('000)	3,442	4,265	3,442	4,264
Diluted weighted average number of ordinary shares in issue	('000)	833,876	831,058	831,731	830,401
<b>Diluted EPS</b>	(sen)	12.37	9.04	43.57	43.94

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 December 2020			31 December 2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Family Takaful Fund</b>						
Provision for claims reported by participants	45,886	(10,103)	35,783	39,182	(8,493)	30,689
Provision for IBNR	173,595	(51,430)	122,165	133,692	(45,417)	88,275
Provision for outstanding claims	219,481	(61,533)	157,948	172,874	(53,910)	118,964
Actuarial liabilities	5,971,561	(346,120)	5,625,441	5,593,304	(315,614)	5,277,690
Unallocated surplus	1,099,833	-	1,099,833	916,155	-	916,155
Fair value reserves	326,172	-	326,172	257,242	-	257,242
Net asset value attributable to unitholders	253,751	-	253,751	240,957	-	240,957
Participants' fund	7,651,317	(346,120)	7,305,197	7,007,658	(315,614)	6,692,044
	7,870,798	(407,653)	7,463,145	7,180,532	(369,524)	6,811,008

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

**23 Takaful Contract Liabilities (continued)**

	31 December 2020			31 December 2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>General Takaful Fund</b>						
Provision for claims reported by participants	434,985	(313,047)	121,938	302,067	(190,182)	111,885
Provision for IBNR	264,625	(143,718)	120,907	228,657	(105,456)	123,201
Provision for outstanding claims	699,610	(456,765)	242,845	530,724	(295,638)	235,086
Provision for unearned contributions	465,734	(113,784)	351,950	394,340	(90,634)	303,706
	1,165,344	(570,549)	594,795	925,064	(386,272)	538,792
Unallocated surplus	209,017	-	209,017	173,962	-	173,962
Fair value reserves	20,156	-	20,156	16,089	-	16,089
Participants' fund	229,173	-	229,173	190,051	-	190,051
	1,394,517	(570,549)	823,968	1,115,115	(386,272)	728,843

**SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

**23 Takaful Contract Liabilities (continued)**

	31 December 2020			31 December 2019		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Group</b>						
Provision for claims reported by participants	480,871	(323,150)	157,721	341,249	(198,675)	142,574
Provision for IBNR	438,220	(195,148)	243,072	362,349	(150,873)	211,476
Provision for outstanding claims	919,091	(518,298)	400,793	703,598	(349,548)	354,050
Provision for unearned contributions	465,734	(113,784)	351,950	394,340	(90,634)	303,706
	<u>1,384,825</u>	<u>(632,082)</u>	<u>752,743</u>	<u>1,097,938</u>	<u>(440,182)</u>	<u>657,756</u>
Actuarial liabilities	5,971,561	(346,120)	5,625,441	5,593,304	(315,614)	5,277,690
Unallocated surplus	1,308,850	-	1,308,850	1,090,117	-	1,090,117
Fair value reserves	346,328	-	346,328	273,331	-	273,331
Net asset value attributable to unitholders	212,043	-	212,043	203,490	-	203,490
Participants' fund	<u>7,838,782</u>	<u>(346,120)</u>	<u>7,492,662</u>	<u>7,160,242</u>	<u>(315,614)</u>	<u>6,844,628</u>
	<u>9,223,607</u>	<u>(978,202)</u>	<u>8,245,405</u>	<u>8,258,180</u>	<u>(755,796)</u>	<u>7,502,384</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
<b>At 1 January 2019</b>	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
<b>At 31 December 2019</b>	<b>7,007,658</b>	<b>(315,614)</b>	<b>6,692,044</b>	<b>190,051</b>	<b>-</b>	<b>190,051</b>	<b>7,160,242</b>	<b>(315,614)</b>	<b>6,844,628</b>

# 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
<b>At 1 January 2020</b>	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)
<b>At 31 December 2020</b>	<b>7,651,317</b>	<b>(346,120)</b>	<b>7,305,197</b>	<b>229,173</b>	<b>-</b>	<b>229,173</b>	<b>7,838,782</b>	<b>(346,120)</b>	<b>7,492,662</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Surplus transfer from:				
Family Takaful Fund	9,853	9,204	58,066	65,311
General Takaful Fund	4,153	-	30,756	-
Wakalah fee income	225,508	253,152	890,487	1,028,949
Total Takaful Operator income	<u>239,514</u>	<u>262,356</u>	<u>979,309</u>	<u>1,094,260</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	13,987	14,274	64,288	63,693	7,440	7,624	85,715	85,591
Accretion / (Amortisation)	(300)	(204)	(1,933)	(1,678)	(192)	(229)	(2,425)	(2,111)
	<u>13,687</u>	<u>14,070</u>	<u>62,355</u>	<u>62,015</u>	<u>7,248</u>	<u>7,395</u>	<u>83,290</u>	<u>83,480</u>
<u>Investment income - others</u>								
Rental income	217	207	1,736	1,840	46	34	1,333	3,374
Dividend income	45	59	1,197	1,576	-	-	1,242	1,635
Profit income	847	951	6,479	5,760	148	305	7,472	7,016
Accretion / (Amortisation)	(7)	(4)	(1,214)	(2)	(97)	(7)	(1,318)	(13)
Investment expenses	(55)	(47)	(554)	(433)	(11)	(1)	(173)	(98)
	<u>1,047</u>	<u>1,166</u>	<u>7,644</u>	<u>8,741</u>	<u>86</u>	<u>331</u>	<u>8,556</u>	<u>11,914</u>
	<u><u>14,734</u></u>	<u><u>15,236</u></u>	<u><u>69,999</u></u>	<u><u>70,756</u></u>	<u><u>7,334</u></u>	<u><u>7,726</u></u>	<u><u>91,846</u></u>	<u><u>95,394</u></u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	56,344	50,851	260,194	244,722	30,983	30,338	347,521	325,911
Accretion / (Amortisation)	(977)	(617)	(7,198)	(6,352)	(768)	(997)	(8,943)	(7,966)
	<u>55,367</u>	<u>50,234</u>	<u>252,996</u>	<u>238,370</u>	<u>30,215</u>	<u>29,341</u>	<u>338,578</u>	<u>317,945</u>
<u>Investment income - others</u>								
Rental income	893	802	6,830	7,056	161	128	5,382	5,399
Dividend income	276	393	6,988	7,695	-	-	7,264	8,088
Profit income	3,447	5,103	21,296	26,857	479	1,860	25,222	33,820
Accretion / (Amortisation)	(31)	(136)	241	(148)	(28)	(71)	182	(355)
Investment expenses	(135)	(105)	(2,327)	(1,915)	(156)	(35)	(995)	(588)
	<u>4,450</u>	<u>6,057</u>	<u>33,028</u>	<u>39,545</u>	<u>456</u>	<u>1,882</u>	<u>37,055</u>	<u>46,364</u>
	<u><u>59,817</u></u>	<u><u>56,291</u></u>	<u><u>286,024</u></u>	<u><u>277,915</u></u>	<u><u>30,671</u></u>	<u><u>31,223</u></u>	<u><u>375,633</u></u>	<u><u>364,309</u></u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(16)	1,311	1,195	745	1,179	2,056
- Financial assets not measured at FVTPL	11	3	283	(503)	(243)	(30)	51	(530)
	<u>11</u>	<u>3</u>	<u>267</u>	<u>808</u>	<u>952</u>	<u>715</u>	<u>1,230</u>	<u>1,526</u>
<u>Other operating income</u>								
Service charged and management fee	4,834	6,098	-	-	-	-	-	(7)
Writeback of impaired financing	1	2	-	-	-	-	-	2
Gain on disposal of assets	-	1	-	-	-	-	-	1
Other income	-	88	-	2,015	80	-	-	2,140
	<u>4,835</u>	<u>6,189</u>	<u>-</u>	<u>2,015</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>2,136</u>
	<u>4,846</u>	<u>6,192</u>	<u>267</u>	<u>2,823</u>	<u>1,032</u>	<u>715</u>	<u>1,230</u>	<u>3,662</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 26 Other Operating Income (continued)

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

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	-	423	745	423	745
- Financial assets not measured at FVTPL	-	-	-	-	(221)	(103)	(221)	(103)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202</u>	<u>642</u>	<u>202</u>	<u>642</u>
<u>Other operating income</u>								
Service charged and management fee	19,777	18,832	-	-	-	-	-	-
Writeback of impaired financing	137	93	-	-	-	-	137	93
Gain on disposal of assets	14	11	-	-	-	-	14	11
Other income	1,376	1,264	265	2,919	253	224	1,894	4,414
	<u>21,304</u>	<u>20,200</u>	<u>265</u>	<u>2,919</u>	<u>253</u>	<u>224</u>	<u>2,045</u>	<u>4,518</u>
	<u>21,304</u>	<u>20,200</u>	<u>265</u>	<u>2,919</u>	<u>455</u>	<u>866</u>	<u>2,247</u>	<u>5,160</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	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Other operating expenses</u>								
Depreciation	(2,247)	261	-	-	-	-	(3,168)	2,469
Agency related expenses	(15,481)	(21,436)	-	-	-	-	(15,481)	(21,436)
Debts written off	-	-	(24)	(1)	-	-	(24)	(1)
Loss on disposal of assets	(5)	-	-	-	-	-	(5)	-
Other expenses	(419)	-	(1,622)	(1,785)	(5)	(9)	(1,442)	(1,560)
	<u>(18,152)</u>	<u>(21,175)</u>	<u>(1,646)</u>	<u>(1,786)</u>	<u>(5)</u>	<u>(9)</u>	<u>(20,120)</u>	<u>(20,528)</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 27 Other Operating Expenses (continued)

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

	Takaful Operator 12 months ended		Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(308)	(699)	-	-	(308)	(699)
- Financial assets not measured at FVTPL	(13)	(233)	(2,439)	(1,229)	-	-	(2,452)	(1,462)
	<u>(13)</u>	<u>(233)</u>	<u>(2,747)</u>	<u>(1,928)</u>	<u>-</u>	<u>-</u>	<u>(2,760)</u>	<u>(2,161)</u>
<u>Other operating expenses</u>								
Depreciation	(8,896)	(10,103)	-	-	-	-	(12,804)	(13,968)
Agency related expenses	(57,567)	(60,210)	-	-	-	-	(57,567)	(60,210)
Loss from foreign exchange	-	-	-	-	-	(3)	-	(3)
Debts written off	-	-	(820)	(341)	-	(10)	(820)	(351)
Other expenses	(610)	(430)	(2,931)	(4,469)	(690)	(31)	(3,230)	(3,722)
	<u>(67,073)</u>	<u>(70,743)</u>	<u>(3,751)</u>	<u>(4,810)</u>	<u>(690)</u>	<u>(44)</u>	<u>(74,421)</u>	<u>(78,254)</u>
	<u>(67,086)</u>	<u>(70,976)</u>	<u>(6,498)</u>	<u>(6,738)</u>	<u>(690)</u>	<u>(44)</u>	<u>(77,181)</u>	<u>(80,415)</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 28 Fair Value Information

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

31 December 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		
<b>Takaful Operator</b>										
<b>Financial assets</b>										
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		
<b>Family Takaful</b>										
<b>Financial assets</b>										
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		
<b>General Takaful</b>										
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
<b>Group</b>										
<b>Financial assets</b>										
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 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		
<b>Takaful Operator</b>										
<b>Financial assets</b>										
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		
<b>Family Takaful</b>										
<b>Financial assets</b>										
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		
<b>General Takaful</b>										
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
<b>Group</b>										
<b>Financial assets</b>										
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. 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 year.

# 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:

	<b>Takaful Operator RM'000</b>	<b>Family Takaful RM'000</b>	<b>General Takaful RM'000</b>	<b>Group RM'000</b>
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
Maturity	(4,111)	-	-	(4,111)
Gains and losses 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	107,046	487,171	58,269	652,486

### 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:

	<b>Family Takaful</b>		<b>General Takaful</b>		<b>Group</b>	
	<b>31.12.2020 RM'000</b>	<b>31.12.2019 RM'000</b>	<b>31.12.2020 RM'000</b>	<b>31.12.2019 RM'000</b>	<b>31.12.2020 RM'000</b>	<b>31.12.2019 RM'000</b>
<u>Days past due</u>						
Current (not past due)	173,476	84,801	126,125	114,150	299,601	198,951
1-30 days	335	921	188	151	523	1,072
31-60 days	74	1,095	126	192	200	1,287
61-90 days	198	90	155	190	353	280
91-180 days	5,409	132	86	527	5,495	659
> 180 days	2,306	6,766	968	1,256	3,274	8,022
	181,798	93,805	127,648	116,466	309,446	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 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	
	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2019 RM'000
Bank Islam Malaysia Berhad	5	3	-	5	5	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 31 December 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 31 December 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 financial year 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:

	<b>As at 31.12.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Tier 1 capital	1,742,983	1,519,250
Tier 2 capital	198,670	162,531
Deductions	(321,448)	(203,564)
<b>Total capital available</b>	<b>1,620,205</b>	<b>1,478,217</b>

By Order of the Board

**SHAMSUL SHAHRINA BINTI MOHD HUSSEIN**  
Company Secretary (MAICSA 7047477)  
(SSM Practicing Certificate No. 201908002446)  
Kuala Lumpur, 23 February 2021