

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 March 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 31 March 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

On 2 February 2021, the Company allotted and issued 351,611 new ordinary shares pursuant to the Long-Term Incentive Plan ("LTIP").

Other than the above, 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
3 months ended 31 March 2021			
Revenue from external participants	883,965	31,530	915,495
Profit / (Loss) before zakat and taxation	114,585	(150)	114,435
As at 31 March 2021			
Segment assets by location of assets	11,167,769	526,796	11,694,565
Segment liabilities by location of liabilities	9,631,133	448,729	10,079,862
3 months ended 31 March 2020			
Revenue from external participants	878,056	34,986	913,042
Profit / (Loss) before zakat and taxation	116,813	(2,605)	114,208
As at 31 March 2020			
Segment assets by location of assets	10,073,054	454,223	10,527,277
Segment liabilities by location of liabilities	8,794,893	388,636	9,183,529

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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		
	31.3.2021	31.3.2020	Changes
	RM'000	RM'000	%
Operating revenue	915,495	913,042	0.3%
Gross earned contributions	698,895	698,325	0.1%
Profit before zakat and tax	114,435	114,208	0.2%
Profit after zakat and tax	101,118	100,931	0.2%
Profit attributable to owners of the Company	101,144	101,586	-0.4%

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

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

Operating revenue

The Group recorded operating revenue of RM915.5 million for the first quarter ended 31 March 2021, higher as compared to RM913.0 million in the same period of the preceding year. The increase was mainly attributable to higher sales from General Takaful business.

Profit before zakat and tax

For the first quarter ended 31 March 2021, the Group recorded profit before zakat and tax of RM114.4 million, at par as compared to RM114.2 million in the same period of the preceding year, mainly attributable to lower fair value losses from investment, offset by lower net wakalah fee income.

Family Takaful

Family Takaful business generated gross earned contributions of RM480.8 million for the first quarter ended 31 March 2021, lower as compared to RM496.3 million in the corresponding period last year. This was mainly due to lower sales from group medical products.

The net benefits and claims for Family Takaful business decreased by 14% to RM184.3 million in the first quarter ended 31 March 2021 from RM214.6 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 decreased to RM69.1 million as compared to RM72.3 million in the same period of the preceding year, mainly due to lower profit income from fixed income investment.

For the first quarter ended 31 March 2021, Family Takaful recorded fair value gains of RM1.2 million, improved as compared to fair value losses of RM79.6 million in the same period of the preceding year. The increase was mainly due to equity market performance.

General Takaful

General Takaful business generated gross earned contributions of RM218.0 million for the first quarter ended 31 March 2021, higher by 8% as compared to RM202.0 million same period of the preceding year. The growth was mainly attributable to motor and fire class.

The net benefits and claims for General Takaful business decreased by 3% to RM56.0 million in the first quarter ended 31 March 2021 from RM57.7 million in the same period of the preceding year, mainly due to lower claims relating to fire and personal accident class.

The investment income for the first quarter ended 31 March 2021 was RM7.1 million as compared to the same period of the preceding year of RM8.1 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 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM31.5 million, decreased as compared to RM35.0 million in the same period of the preceding year, whilst the gross earned contribution decreased to RM25.1 million as compared to RM29.2 million in the same period of preceding year.

The Indonesian operations recorded loss before zakat and tax of RM0.2 million for the first quarter ended 31 March 2021 as compared to loss before zakat and tax of RM2.6 million in the same period of preceding year. The lower losses result was mainly due to the savings from management expenses and lower fair value losses from investment in equity. 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.

14.3 Review of Statements of Financial Position

As at 31 March 2021, total assets of RM11,694.6 million were slightly lower as compared to RM11,793.1 million as at 31 December 2020, mainly attributable to the decrease in loans and receivables, excluding takaful receivables, and cash and cash equivalents.

Loans and receivables, excluding takaful receivables decreased by RM124.9 million to RM2,425.1 million as at 31 March 2021, was mainly attributable to lower placement in fixed and call deposit at licenced institutions with maturity more than 3 months.

Cash and cash equivalents decreased from RM712.6 million to RM690.8 million was mainly due to lower placement in fixed and call deposit at licenced institutions with maturity less than 3 months.

Total liabilities decreased to RM10,079.9 million as compared to RM10,251.3 million as at 31 December 2020, was mainly attributable to the decrease in Takaful contract liabilities and other payables.

Takaful contract liabilities decreased from RM9,223.6 million as at 31 December 2020 to RM9,193.1 million as at 31 March 2021 was mainly attributable to the lower fair value reserve of the financial assets.

Other payables decreased by 32% to RM297.2 million as at 31 March 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 5% to RM1,614.7 million as at 31 March 2021. This is mainly attributed to the increase in distributable retained earnings of RM101.1 million.

14.4 Review of Statements of Cash flows

For the first quarter ended 31 March 2021, the Group's cash flow position of RM690.8 million is healthy and strong. The ratio of cash flow from operating activities to profit for the current quarter under review was 89.8% which indicates the Group's ability to generate sufficient cash flow to meet its obligation.

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15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.3.2021 RM'000	Immediate Preceding Quarter 31.12.2020 RM'000	Changes %
Operating revenue	915,495	774,935	18.1%
Gross earned contributions	698,895	701,652	-0.4%
Profit before zakat and tax	114,435	117,237	-2.4%
Profit after zakat and tax	101,118	103,827	-2.6%
Profit attributable to owners of the Company	101,144	103,150	-1.9%

Operating revenue

For the current quarter under review, the Group generated operating revenue of RM915.5 million, higher by 18% as compared to RM774.9 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from both Family and General Takaful business.

Profit before zakat and tax

For the quarter under review, the Group recorded profit before zakat and taxation of RM114.4 million, lower as compared to the immediate preceding quarter of RM117.2 million. The decrease 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 RM480.8 million, lower as compared to RM501.0 million in the immediate preceding quarter. The decrease was mainly attributable to lower sales from credit-related product and lower earned contributions from group medical products.

For the current quarter under review, Family Takaful business recorded net benefits and claims of RM184.3 million, decreased by 8% as compared to the immediate preceding quarter of RM200.9 million. The decrease was mainly attributable to lower death claims during the period.

For the current quarter under review, Family Takaful business recorded investment income of RM69.1 million, at par as compared to the immediate preceding quarter of RM70.0 million.

For the current quarter under review, Family Takaful recorded fair value gain of RM1.2 million as compared to fair value gain of RM27.3 million in the immediate preceding quarter. The decrease was mainly due to the equity market performance.

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

General Takaful

For the current quarter under review, General Takaful business generated gross earned contributions of RM218.0 million, higher by 9% as compared to RM200.2 million in the immediate preceding quarter. The increase was mainly contributed from fire and commercial classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM56.0 million, increased as compared to RM20.9 million in the immediate preceding quarter. The decrease was mainly due to higher claims relating to motor class.

For the current quarter under review, General Takaful business recorded investment income of RM7.1 million for the quarter, at par as compared to the investment income of RM7.3 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.

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18 Taxation

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

	3 months ended	
	31.3.2021 RM'000	31.3.2020 RM'000
Current tax expense:		
- Current financial period	15,141	17,401
- Under provision in prior year	424	-
Deferred tax expense:		
- Current financial period	(2,548)	(4,424)
Total tax expense	<u>13,017</u>	<u>12,977</u>

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

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

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

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

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2021.

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

		3 months ended	
		31.3.2021	31.3.2020
Owners of the Company	(RM'000)	101,144	101,586
Weighted average number of ordinary shares in issue	('000)	830,746	826,793
Basic EPS	(sen)	<u>12.18</u>	<u>12.29</u>

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	
		31.3.2021	31.3.2020
Owners of the Company	(RM'000)	101,144	101,586
Weighted average number of ordinary shares in issue	('000)	830,746	826,793
Effects of dilution	('000)	<u>3,377</u>	<u>3,370</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>834,123</u>	<u>830,163</u>
Diluted EPS	(sen)	<u>12.13</u>	<u>12.24</u>

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 March 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	42,115	(14,378)	27,737	45,886	(10,103)	35,783
Provision for IBNR	164,216	(53,666)	110,550	173,595	(51,430)	122,165
Provision for outstanding claims	206,331	(68,044)	138,287	219,481	(61,533)	157,948
Actuarial liabilities	6,115,977	(344,933)	5,771,044	5,971,561	(346,120)	5,625,441
Unallocated surplus	1,175,605	-	1,175,605	1,099,833	-	1,099,833
Fair value reserves	43,378	-	43,378	326,172	-	326,172
Net asset value attributable to unitholders	250,608	-	250,608	253,751	-	253,751
Participants' fund	7,585,568	(344,933)	7,240,635	7,651,317	(346,120)	7,305,197
	7,791,899	(412,977)	7,378,922	7,870,798	(407,653)	7,463,145

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23 Takaful Contract Liabilities (continued)

	31 March 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	439,744	(313,969)	125,775	434,985	(313,047)	121,938
Provision for IBNR	291,997	(158,555)	133,442	264,625	(143,718)	120,907
Provision for outstanding claims	731,741	(472,524)	259,217	699,610	(456,765)	242,845
Provision for unearned contributions	504,318	(129,231)	375,087	465,734	(113,784)	351,950
	1,236,059	(601,755)	634,304	1,165,344	(570,549)	594,795
Unallocated surplus	197,974	-	197,974	209,017	-	209,017
Fair value reserves	8,447	-	8,447	20,156	-	20,156
Participants' fund	206,421	-	206,421	229,173	-	229,173
	1,442,480	(601,755)	840,725	1,394,517	(570,549)	823,968

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23 Takaful Contract Liabilities (continued)

	31 March 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	481,859	(328,347)	153,512	480,871	(323,150)	157,721
Provision for IBNR	456,213	(212,221)	243,992	438,220	(195,148)	243,072
Provision for outstanding claims	938,072	(540,568)	397,504	919,091	(518,298)	400,793
Provision for unearned contributions	504,318	(129,231)	375,087	465,734	(113,784)	351,950
	<u>1,442,390</u>	<u>(669,799)</u>	<u>772,591</u>	<u>1,384,825</u>	<u>(632,082)</u>	<u>752,743</u>
Actuarial liabilities	6,115,977	(344,933)	5,771,044	5,971,561	(346,120)	5,625,441
Unallocated surplus	1,373,579	-	1,373,579	1,308,850	-	1,308,850
Fair value reserves	51,825	-	51,825	346,328	-	346,328
Net asset value attributable to unitholders	209,279	-	209,279	212,043	-	212,043
Participants' fund	<u>7,750,660</u>	<u>(344,933)</u>	<u>7,405,727</u>	<u>7,838,782</u>	<u>(346,120)</u>	<u>7,492,662</u>
	<u>9,193,050</u>	<u>(1,014,732)</u>	<u>8,178,318</u>	<u>9,223,607</u>	<u>(978,202)</u>	<u>8,245,405</u>

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23 Takaful Contract Liabilities (continued)

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

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 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	480,769	(34,833)	445,936	112,714	-	112,714	593,483	(34,833)	558,650
Investment income on financial assets not measured at FVTPL	61,352	-	61,352	7,007	-	7,007	68,359	-	68,359
Investment income - others	7,783	-	7,783	60	-	60	7,843	-	7,843
Realised gains and losses	30	-	30	-	-	-	30	-	30
Fair value gains and losses	1,182	-	1,182	-	-	-	1,182	-	1,182
Other operating income	102	-	102	28	-	28	130	-	130
Net benefits and claims	(220,606)	36,327	(184,279)	(56,026)	-	(56,026)	(276,632)	36,327	(240,305)
Fees deducted (net)	(172,462)	-	(172,462)	(68,844)	-	(68,844)	(241,306)	-	(241,306)
Impairment losses on financial instruments	(3,727)	-	(3,727)	(1,852)	-	(1,852)	(5,579)	-	(5,579)
Other operating expenses	(661)	-	(661)	(25)	-	(25)	(686)	-	(686)
Profit paid to participants	276	-	276	(2,500)	-	(2,500)	(2,224)	-	(2,224)
Movement in actuarial liabilities	86,409	673	87,082	-	-	-	86,409	673	87,082
Profit attributable to the Takaful Operator	(13,459)	(1,494)	(14,953)	(2,005)	-	(2,005)	(15,085)	(1,494)	(16,579)
Excess payment from participants	108	-	108	-	-	-	108	-	108
Net change in fair value on debt instruments at FVOCI	(282,614)	-	(282,614)	(11,709)	-	(11,709)	(294,323)	-	(294,323)
Tax expense	4,007	-	4,007	1,052	-	1,052	5,059	-	5,059
Withholding tax paid	(8,552)	-	(8,552)	(652)	-	(652)	(9,204)	-	(9,204)
Effect of movement in exchange rates	(5,686)	514	(5,172)	-	-	-	(5,686)	514	(5,172)
At 31 March 2021	7,585,568	(344,933)	7,240,635	206,421	-	206,421	7,750,660	(344,933)	7,405,727

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	
	31.3.2021	31.3.2020
	RM'000	RM'000
Surplus transfer from:		
Family Takaful Fund	14,953	7,524
General Takaful Fund	2,005	7,880
Wakalah fee income	267,251	293,535
Total Takaful Operator income	<u>284,209</u>	<u>308,939</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	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	13,681	13,955	63,185	64,887	7,197	7,976	84,063	86,818
Accretion / (Amortisation)	(276)	(230)	(1,833)	(1,643)	(190)	(190)	(2,299)	(2,063)
	<u>13,405</u>	<u>13,725</u>	<u>61,352</u>	<u>63,244</u>	<u>7,007</u>	<u>7,786</u>	<u>81,764</u>	<u>84,755</u>
<u>Investment income - others</u>								
Rental income	200	207	1,845	1,746	67	65	1,380	1,398
Dividend income	53	76	1,917	2,516	-	-	1,970	2,592
Profit income	709	979	4,579	5,291	-	255	5,288	6,525
Accretion / (Amortisation)	1	(5)	3	(25)	-	(7)	4	(37)
Investment expenses	(19)	(17)	(561)	(491)	(7)	(6)	(147)	(144)
	<u>944</u>	<u>1,240</u>	<u>7,783</u>	<u>9,037</u>	<u>60</u>	<u>307</u>	<u>8,495</u>	<u>10,334</u>
	<u>14,349</u>	<u>14,965</u>	<u>69,135</u>	<u>72,281</u>	<u>7,067</u>	<u>8,093</u>	<u>90,259</u>	<u>95,089</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	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
<u>Other operating income</u>								
Service charged and management fee	6,154	6,198	-	-	-	-	-	-
Writeback of impaired financing	-	68	-	-	-	-	-	68
Gain on disposal of assets	-	5	-	-	-	-	-	5
Other income	1,598	472	102	184	28	24	1,728	680
	<u>7,752</u>	<u>6,743</u>	<u>102</u>	<u>184</u>	<u>28</u>	<u>24</u>	<u>1,728</u>	<u>753</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	
	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000	31.3.2021 RM'000	31.3.2020 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(1,156)	(1,045)	(1,537)	(345)	(2,693)	(1,390)
- Financial assets not measured at FVTPL	(4)	(5)	(2,571)	(420)	(315)	(4)	(2,890)	(429)
	<u>(4)</u>	<u>(5)</u>	<u>(3,727)</u>	<u>(1,465)</u>	<u>(1,852)</u>	<u>(349)</u>	<u>(5,583)</u>	<u>(1,819)</u>
<u>Other operating expenses</u>								
Depreciation	(2,380)	(2,255)	-	-	-	-	(3,399)	(3,387)
Agency related expenses	(15,703)	(16,302)	-	-	-	-	(15,703)	(16,302)
Debts written off	-	-	-	(814)	-	-	-	(814)
Other expenses	(325)	(194)	(661)	(1,121)	(25)	(13)	(661)	(1,014)
	<u>(18,408)</u>	<u>(18,751)</u>	<u>(661)</u>	<u>(1,935)</u>	<u>(25)</u>	<u>(13)</u>	<u>(19,763)</u>	<u>(21,517)</u>
	<u>(18,412)</u>	<u>(18,756)</u>	<u>(4,388)</u>	<u>(3,400)</u>	<u>(1,877)</u>	<u>(362)</u>	<u>(25,346)</u>	<u>(23,336)</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 March 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	8,221	-	380	8,601	-	-	-	-	8,601	8,601
Unit trusts	523	3,649	-	4,172	-	-	-	-	4,172	4,172
Institutional Trust Account	-	-	108,206	108,206	-	-	-	-	108,206	108,206
Islamic debt securities	22,224	723,593	-	745,817	-	-	-	-	745,817	745,817
Malaysian Government Islamic papers	-	62,175	-	62,175	-	-	-	-	62,175	62,175
Investment in linked funds	41,330	-	-	41,330	-	-	-	-	41,330	41,330
	72,298	789,417	108,586	970,301	-	-	-	-	970,301	970,301

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 March 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		
Family Takaful										
Financial assets										
Equity securities	300,231	-	-	300,231	-	-	-	-	300,231	300,231
Unit trusts	42,677	21,736	-	64,413	-	-	-	-	64,413	64,413
Institutional Trust Account	-	-	492,386	492,386	-	-	-	-	492,386	492,386
Islamic debt securities	135,213	3,851,286	-	3,986,499	-	-	-	-	3,986,499	3,986,499
Malaysian Government Islamic papers	-	512,677	-	512,677	-	-	-	-	512,677	512,677
	478,121	4,385,699	492,386	5,356,206	-	-	-	-	5,356,206	5,356,206

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 March 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		
General Takaful										
Institutional Trust Account	-	-	58,903	58,903	-	-	-	-	58,903	58,903
Islamic debt securities	-	270,543	-	270,543	-	-	-	-	270,543	270,543
Malaysian Government Islamic papers	-	15,474	-	15,474	-	-	-	-	15,474	15,474
	-	286,017	58,903	344,920	-	-	-	-	344,920	344,920
Group										
Financial assets										
Equity securities	308,452	-	380	308,832	-	-	-	-	308,832	308,832
Unit trusts	43,200	25,385	-	68,585	-	-	-	-	68,585	68,585
Institutional Trust Account	-	-	659,495	659,495	-	-	-	-	659,495	659,495
Islamic debt securities	157,437	4,845,422	-	5,002,859	-	-	-	-	5,002,859	5,002,859
Malaysian Government Islamic papers	-	590,327	-	590,327	-	-	-	-	590,327	590,327
	509,089	5,461,134	659,875	6,630,098	-	-	-	-	6,630,098	6,630,098

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		
31 December 2020										
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
Gains and losses recognised in profit or loss				
Investment income – realised	1,274	5,558	615	7,447
Net change in fair value	(114)	(343)	19	(438)
At 31 March 2021	108,206	492,386	58,903	659,495

29 Additional Information

Takaful receivables

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

	Family Takaful		General Takaful		Group	
	31.3.2021 RM'000	31.12.2020 RM'000	31.3.2021 RM'000	31.12.2020 RM'000	31.3.2021 RM'000	31.12.2020 RM'000
<u>Days past due</u>						
Current (not past due)	242,416	173,476	78,144	126,125	320,560	299,601
1-30 days	37	335	774	188	811	523
31-60 days	63	74	109	126	172	200
61-90 days	3	198	68	155	71	353
91-180 days	313	5,409	431	86	744	5,495
> 180 days	1,928	2,306	3,659	968	5,587	3,274
	244,760	181,798	83,185	127,648	327,945	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	
	31.3.2021	31.12.2020	31.3.2021	31.12.2020	31.3.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Islam Malaysia Berhad	-	5	1	-	1	5

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 period ended 31 March 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 31 March 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 31.3.2021 RM'000	As at 31.12.2020 RM'000
Tier 1 capital	1,965,009	1,742,983
Tier 2 capital	71,339	198,670
Deductions	(312,608)	(321,448)
Total capital available	1,723,740	1,620,205

By Order of the Board

SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Company Secretary (MAICSA 7047477)
(SSM Practicing Certificate No. 201908002446)
Kuala Lumpur, 25 May 2021