

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 1 Basis of Preparation

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

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

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

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.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(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 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.

## **3 Seasonality of Operations**

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

## **4 Unusual Items**

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

## **5 Estimates**

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

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 6 Debt and Equity Securities

On 30 July 2020, the Company allotted and issued 3,640,789 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 3 December 2019 declared an interim single tier dividend of 20.00 sen per ordinary share in respect of the financial year ended 31 December 2019 which was paid on 2 January 2020.

No dividend was declared for the current quarter under review.

### 8 Segmental Reporting

#### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>9 months ended 30 September 2020</b>			
Revenue from external participants	2,088,347	93,898	2,182,245
Profit before zakat and taxation	307,582	2,002	309,584
<b>As at 30 September 2020</b>			
Segment assets by location of assets	10,944,844	492,081	11,436,925
Segment liabilities by location of liabilities	9,483,237	418,896	9,902,133
<b>9 months ended 30 September 2019</b>			
Revenue from external participants	2,236,382	108,270	2,344,652
Profit / (loss) before zakat and taxation	335,223	(3,048)	332,175
<b>As at 30 September 2019</b>			
Segment assets by location of assets	9,726,790	530,504	10,257,294
Segment liabilities by location of liabilities	8,454,443	466,714	8,921,157

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 9 Investment Properties

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

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

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

### 11 Financial Risk Management

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

### 12 Effect of Changes in Composition of the Company / Group

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

### 13 Contingent Liabilities

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

### 14 Review of Performance

	3 months ended			9 months ended		
	30.9.2020 RM'000	30.9.2019 RM'000	Changes %	30.9.2020 RM'000	30.9.2019 RM'000	Changes %
Operating revenue	753,469	753,512	0%	2,182,245	2,344,652	-7%
Gross earned contributions	675,436	715,505	-6%	1,812,429	2,053,242	-12%
Profit before zakat and tax	97,763	121,755	-20%	309,584	332,175	-7%
Profit after zakat and tax	82,730	112,641	-27%	259,750	288,651	-10%
Profit attributable to owners of the Company	82,598	112,340	-26%	259,270	289,732	-11%

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 14. Review of Performance (continued)

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

##### **Operating revenue**

The Group recorded operating revenue of RM2,182.2 million for the 9 months period ended 30 September 2020, lower as compared to of RM2,344.7 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 9 months period ended 30 September 2020, the Group recorded profit before zakat and tax of RM309.6 million, lower as compared to RM332.2 million in the same period last year. The decrease in profit was mainly attributable to lower net Wakalah fee income, which is in line with the lower productions from Family Takaful products.

##### **Family Takaful**

Family Takaful business generated gross earned contributions of RM1,255.8 million for the 9 months period ended 30 September 2020, lower as compared to RM1,511.1 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 Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") over the period of 84 days arising from the COVID-19 pandemic.

The net benefits and claims for Family Takaful business decreased by 7% to RM551.0 million for the 9 months period ended 30 September 2020 from RM591.4 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 4% to RM216.0 million as compared to RM207.2 million in the same period of the preceding year, mainly due to higher profit from fixed income investment.

For the 9 months period ended 30 September 2020, Family Takaful recorded fair value losses of RM10.1 million, decreased by RM36.6 million as compared to fair value gains of RM26.5 million in the same period of the preceding year. The fair value losses were mainly due to equity market performance.

##### **General Takaful**

General Takaful business generated gross earned contributions of RM556.4 million for the 9 months period ended 30 September 2020, higher by 3% as compared to RM542.4 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 10% to RM132.2 million for the 9 months period ended 30 September 2020 from RM147.3 million in the same period of the preceding year, mainly due to lower claims relating to motor class.

The investment income for the 9 months period ended 30 September 2020 was RM23.3 million, at par as compared to the same period of the preceding year of RM23.5 million.

# 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

##### **Operating revenue**

For the third quarter ended 30 September 2020, the Group generated operating revenue of RM753.5 million at par as compared to the corresponding quarter of the preceding year.

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

For the quarter under review, the Group recorded profit before zakat and taxation of RM97.8 million, lower as compared to RM121.8 million in the same period last year. The decrease in profit was mainly attributable to lower net Wakalah fee income, which is in line with the lower productions from Family Takaful products.

##### **Family Takaful**

For the quarter under review, Family Takaful business recorded gross earned contributions of RM483.7 million as compared to RM543.7 million in the same period last year. The decrease is mainly attributable to lower sales from credit-related products as the business has 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 3% 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 RM71.5 million, higher as compared to RM70.4 million in the corresponding quarter last year, mainly due to higher profit from fixed income investment.

For the current quarter under review, Family Takaful recorded fair value gains of RM24.2 million, increased by RM33.6 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 RM191.6 million, increased by 11% as compared to RM171.9 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 RM51.8 million for the quarter under review, higher as compared to the corresponding quarter of preceding year. The increase was mainly due to higher claims relating to motor class.

Investment income for the General Takaful business of RM7.4 million is lower as compared to RM7.8 million in the corresponding quarter of preceding year. This is mainly due to lower profit from fixed income investment.

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 14. Review of Performance (continued)

#### 14.3 Indonesian Operations

The operating revenue of Indonesian operations recorded at RM93.9 million, decreased as compared to RM108.3 million in the same period of the preceding year, whilst the gross earned contribution decreased to RM78.9 million as compared to RM92.8 million in the same period of preceding year.

The Indonesian operations recorded profit before zakat and tax of RM2.0 million for the 9 months period ended 30 September 2020 as compared to loss before zakat and tax of RM3.0 million in the same period of preceding year. The higher result was mainly due to release of expense reserves and higher surplus from Risk Fund. The Indonesian operations continued to be impeded by the window concept of promoting Islamic products practiced by the conventional domestic players. The Takaful industry in Indonesia is anticipated to continue experiencing challenges due to the financial market volatility in addition to the economic conditions.

#### 14.4 Review of Statements of Financial Position

As at 30 September 2020, total assets increased by 11% to RM11,436.9 million as compared to RM10,346.1 million as at 31 December 2019, mainly attributable to the increase in other investments, loans and receivables, excluding takaful receivables, intangible assets and retakaful assets.

As compared to 31 December 2019, other investments increased from RM5,663.5 million to RM6,311.2 million as at 30 September 2020, mainly attributable to the increase in Islamic debts securities, Malaysian Government Islamic Papers and Institutional Trust account. The increase was mainly attributable to new purchases as well as gains in market value.

Loans and receivables, excluding takaful receivables increased by RM101.2 million to RM2,732.0 million as at 30 September 2020, mainly attributable to higher placement in fixed and call deposit at licenced institutions with maturity more than 3 months.

Retakaful assets increased from RM755.8 million to RM990.7 million mainly due to additional retakaful reserving.

Intangible assets increased by RM129.4 million to RM197.9 million as at 30 September 2020, mainly attributable to the new bancatakaful service agreements.

Total liabilities increased to RM9,902.1 million as compared to RM9,091.6 million as at 31 December 2019, mainly attributable to the increase in Takaful contract liabilities by RM801.9 million. The increase in Takaful contract liabilities from RM8,258.2 million as at 31 December 2019 to RM9,060.1 million as at 30 September 2020 was in line with the higher in force certificates and higher unallocated surplus.

Shareholders' equity increased by 22% to RM1,534.8 million as at 30 September 2020. This is mainly attributed to the increase in distributable retained earnings of RM259.0 million.

#### 14.5 Review of Statements of Cash flows

For the 9 months period ended 30 September 2020, the Group's cash flow position of RM521.1 million is healthy and strong.

# 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 30.9.2020 RM'000</b>	<b>Immediate Preceding Quarter 30.6.2020 RM'000</b>	<b>Changes %</b>
Operating revenue	753,469	515,734	46%
Gross earned contributions	675,436	438,668	54%
Profit before zakat and tax	97,763	97,613	0%
Profit after zakat and tax	82,730	76,089	9%
Profit attributable to owners of the Company	82,598	75,086	10%

#### **Operating revenue**

For the current quarter under review, the Group generated operating revenue of RM753.5 million, higher by 46% as compared to RM515.7 million in the immediate preceding quarter. The increase is mainly attributable to higher sales generated from Family Takaful and General Takaful business as the business has been resumed subsequent to the CMCO period.

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

For the quarter under review, the Group recorded profit before zakat and taxation of RM97.8 million, as par as compared to the immediate preceding quarter of RM97.6 million.

#### **Family Takaful**

For the current quarter under review, Family Takaful business recorded gross earned contributions of RM483.7 million, increased by 54% as compared to RM275.8 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, increase as compared to the immediate preceding quarter of RM135.5 million. The increase was mainly due to higher death, surrender and medical claims.

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

For the current quarter under review, Family Takaful recorded fair value gain of RM24.2 million as compared to fair value gain of RM45.2 million in the immediate preceding quarter. The decrease 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 RM191.6 million, higher as compared to RM162.8 million in the immediate preceding quarter. The increase was mainly contributed from fire, motor and commercial classes.

For the current quarter under review, General Takaful business recorded net benefits and claims of RM51.8 million, higher by 18% as compared to RM22.8 million in the immediate preceding quarter. The increase was mainly due to higher claims relating to motor class.

For the current quarter under review, General Takaful business recorded investment income of RM7.4 million for the quarter, at par as compared to the investment income of RM7.8 million in the immediate preceding quarter.

### 16 Current Year Prospects

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

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

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

### 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 period in accordance with the Income Tax Act 1967 due to the lower taxable income.

	3 months ended		Cumulative 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Current tax expense:				
- Current financial period	14,911	16,726	50,165	49,201
- Over provision in prior year	(1,203)	(7,734)	(1,203)	(7,734)
Deferred tax expense:				
- Current financial period	1,012	219	(77)	1,093
Total tax expense	<u>14,720</u>	<u>8,773</u>	<u>48,885</u>	<u>42,560</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 30 September 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 / period by the weighted average number of ordinary shares in issue during the period.

	3 months ended		Cumulative 9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Owners of the Company (RM'000)	82,598	112,340	259,270	289,732
Weighted average number of ordinary shares in issue ('000)	829,088	826,793	828,289	825,488
<b>Basic EPS</b> (sen)	9.96	13.59	31.30	35.10

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

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

	3 months ended		Cumulative 9 months ended	
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
Owners of the Company (RM'000)	82,598	112,340	259,270	289,732
Weighted average number of ordinary shares in issue ('000)	829,088	826,793	828,289	825,488
Effects of dilution ('000)	1,428	4,514	1,428	4,514
Diluted weighted average number of ordinary shares in issue ('000)	830,516	831,307	829,717	830,002
<b>Diluted EPS</b> (sen)	9.95	13.51	31.25	34.91

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 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	37,441	(12,344)	25,097	39,182	(8,493)	30,689
Provision for IBNR	149,332	(53,046)	96,286	133,692	(45,417)	88,275
Provision for outstanding claims	186,773	(65,390)	121,383	172,874	(53,910)	118,964
Actuarial liabilities	5,879,284	(364,975)	5,514,309	5,593,304	(315,614)	5,277,690
Unallocated surplus	1,064,834	-	1,064,834	916,155	-	916,155
Fair value reserves	359,292	-	359,292	257,242	-	257,242
Net asset value attributable to unitholders	243,979	-	243,979	240,957	-	240,957
Participants' fund	7,547,389	(364,975)	7,182,414	7,007,658	(315,614)	6,692,044
	7,734,162	(430,365)	7,303,797	7,180,532	(369,524)	6,811,008

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

**23 Takaful Contract Liabilities (continued)**

	30 September 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	436,678	(316,001)	120,677	302,067	(190,182)	111,885
Provision for IBNR	299,752	(157,987)	141,765	228,657	(105,456)	123,201
Provision for outstanding claims	736,430	(473,988)	262,442	530,724	(295,638)	235,086
Provision for unearned contributions	430,819	(86,390)	344,429	394,340	(90,634)	303,706
	<u>1,167,249</u>	<u>(560,378)</u>	<u>606,871</u>	<u>925,064</u>	<u>(386,272)</u>	<u>538,792</u>
Unallocated surplus	174,091	-	174,091	173,962	-	173,962
Fair value reserves	25,813	-	25,813	16,089	-	16,089
Participants' fund	199,904	-	199,904	190,051	-	190,051
	<u>1,367,153</u>	<u>(560,378)</u>	<u>806,775</u>	<u>1,115,115</u>	<u>(386,272)</u>	<u>728,843</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**

**23 Takaful Contract Liabilities (continued)**

	30 September 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	474,119	(328,345)	145,774	341,249	(198,675)	142,574
Provision for IBNR	449,084	(211,033)	238,051	362,349	(150,873)	211,476
Provision for outstanding claims	923,203	(539,378)	383,825	703,598	(349,548)	354,050
Provision for unearned contributions	430,819	(86,390)	344,429	394,340	(90,634)	303,706
	<u>1,354,022</u>	<u>(625,768)</u>	<u>728,254</u>	<u>1,097,938</u>	<u>(440,182)</u>	<u>657,756</u>
Actuarial liabilities	5,879,284	(364,975)	5,514,309	5,593,304	(315,614)	5,277,690
Unallocated surplus	1,238,925	-	1,238,925	1,090,117	-	1,090,117
Fair value reserves	385,105	-	385,105	273,331	-	273,331
Net asset value attributable to unitholders	202,743	-	202,743	203,490	-	203,490
Participants' fund	<u>7,706,057</u>	<u>(364,975)</u>	<u>7,341,082</u>	<u>7,160,242</u>	<u>(315,614)</u>	<u>6,844,628</u>
	<u>9,060,079</u>	<u>(990,743)</u>	<u>8,069,336</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

### 24 Takaful Contract Liabilities (continued)

25

	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	1,255,832	(85,419)	1,170,413	322,627	-	322,627	1,578,460	(85,419)	1,493,041
Investment income on financial assets not measured at FVTPL	190,641	-	190,641	22,967	-	22,967	213,608	-	213,608
Investment income - others	25,384	-	25,384	370	-	370	25,754	-	25,754
Realised gains and losses	27,843	-	27,843	-	-	-	27,843	-	27,843
Fair value gains and losses	(10,133)	-	(10,133)	(147)	-	(147)	(10,280)	-	(10,280)
Other operating income	1,183	-	1,183	173	-	173	1,356	-	1,356
Net benefits and claims	(629,963)	78,980	(550,983)	(132,221)	-	(132,221)	(762,184)	78,980	(683,204)
Fees deducted (net)	(423,582)	-	(423,582)	(179,950)	-	(179,950)	(603,532)	-	(603,532)
Impairment losses on financial instruments	(3,014)	-	(3,014)	(749)	-	(749)	(3,763)	-	(3,763)
Other operating expenses	(3,023)	-	(3,023)	(688)	-	(688)	(3,711)	-	(3,711)
Profit paid to participants	(2,389)	-	(2,389)	(6,787)	-	(6,787)	(9,176)	-	(9,176)
Movement in actuarial liabilities	100,444	(51,328)	49,116	-	-	-	100,444	(51,328)	49,116
Profit attributable to the Takaful Operator	(54,652)	6,439	(48,213)	(26,603)	-	(26,603)	(85,025)	6,439	(78,586)
Excess payment from participants	(27)	-	(27)	-	-	-	(27)	-	(27)
Net change in fair value on debt instruments at FVOCI	102,051	-	102,051	9,724	-	9,724	111,775	-	111,775
Tax expense	(8,305)	-	(8,305)	1,679	-	1,679	(6,626)	-	(6,626)
Withholding tax paid	(5,959)	-	(5,959)	(542)	-	(542)	(6,501)	-	(6,501)
Effect of movement in exchange rates	(22,600)	1,967	(20,633)	-	-	-	(22,600)	1,967	(20,633)
<b>At 30 September 2020</b>	<b>7,547,389</b>	<b>(364,975)</b>	<b>7,182,414</b>	<b>199,904</b>	<b>-</b>	<b>199,904</b>	<b>7,706,057</b>	<b>(364,975)</b>	<b>7,341,082</b>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 26 Takaful Operator Income

The takaful operator income consists of the following:

	3 months ended		Cumulative 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
Surplus transfer from:				
Family Takaful Fund	17,763	15,207	48,213	56,107
General Takaful Fund	3,578	-	26,603	-
Wakalah fee income	227,061	256,144	664,979	775,797
Total Takaful Operator income	<u>248,402</u>	<u>271,351</u>	<u>739,795</u>	<u>831,904</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 27 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	13,890	13,256	65,007	61,741	7,677	7,663	86,574	82,660
Accretion / (Amortisation)	(231)	(147)	(1,956)	(1,675)	(201)	(268)	(2,388)	(2,090)
	<u>13,659</u>	<u>13,109</u>	<u>63,051</u>	<u>60,066</u>	<u>7,476</u>	<u>7,395</u>	<u>84,186</u>	<u>80,570</u>
<u>Investment income - others</u>								
Rental income	231	207	1,516	1,763	(16)	30	1,205	704
Dividend income	112	(801)	2,167	1,139	-	-	2,279	338
Profit income	766	2,232	5,412	7,988	70	400	6,248	10,620
Accretion / (Amortisation)	(10)	(43)	(26)	(48)	(8)	(21)	(44)	(112)
Investment expenses	(2)	(4)	(626)	(498)	(122)	(11)	(315)	(133)
	<u>1,097</u>	<u>1,591</u>	<u>8,443</u>	<u>10,344</u>	<u>(76)</u>	<u>398</u>	<u>9,373</u>	<u>11,417</u>
	<u><u>14,756</u></u>	<u><u>14,700</u></u>	<u><u>71,494</u></u>	<u><u>70,410</u></u>	<u><u>7,400</u></u>	<u><u>7,793</u></u>	<u><u>93,559</u></u>	<u><u>91,987</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 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>								
Profit income	42,357	36,577	195,907	180,653	23,543	22,714	261,806	239,944
Accretion / (Amortisation)	(677)	(413)	(5,266)	(4,674)	(576)	(768)	(6,518)	(5,855)
	<u>41,680</u>	<u>36,164</u>	<u>190,641</u>	<u>175,979</u>	<u>22,967</u>	<u>21,946</u>	<u>255,288</u>	<u>234,089</u>
<u>Investment income - others</u>								
Rental income	676	595	5,094	5,216	115	94	4,049	2,025
Dividend income	231	923	5,791	6,119	-	-	6,022	7,042
Profit income	2,600	3,563	14,818	21,473	331	1,555	17,750	26,591
Accretion / (Amortisation)	(24)	(132)	1,455	(146)	69	(64)	1,499	(342)
Investment expenses	(80)	(58)	(1,774)	(1,482)	(145)	(34)	(821)	(491)
	<u>3,403</u>	<u>4,891</u>	<u>25,384</u>	<u>31,180</u>	<u>370</u>	<u>1,551</u>	<u>28,499</u>	<u>34,825</u>
	<u>45,083</u>	<u>41,055</u>	<u>216,025</u>	<u>207,159</u>	<u>23,337</u>	<u>23,497</u>	<u>283,787</u>	<u>268,914</u>

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	447	-	-	2,332	-	1,726
- Financial assets not measured at FVTPL	-	-	(44)	-	-	(44)	-	(614)
	<u>-</u>	<u>-</u>	<u>403</u>	<u>-</u>	<u>-</u>	<u>2,288</u>	<u>-</u>	<u>1,112</u>
<u>Other operating income</u>								
Service charged and management fee	5,192	4,915	-	-	-	-	-	7
Writeback of impaired financing	68	-	123	-	-	-	191	-
Gain on disposal of assets	-	-	-	-	-	-	-	-
Other income	445	539	624	791	77	172	1,146	1,502
	<u>5,705</u>	<u>5,454</u>	<u>747</u>	<u>791</u>	<u>77</u>	<u>172</u>	<u>1,337</u>	<u>1,509</u>
	<u>5,705</u>	<u>5,454</u>	<u>1,150</u>	<u>791</u>	<u>77</u>	<u>2,460</u>	<u>1,337</u>	<u>2,621</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 26 Other Operating Income (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<u>Reversal of Impairment losses on financial instruments:</u>								
- Financial assets not measured at FVTPL	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
<u>Other operating income</u>								
Service charged and management fee	14,943	12,734	-	-	-	-	-	7
Writeback of impaired financing	136	91	123	-	-	-	259	91
Gain on disposal of assets	19	10	-	-	-	-	19	10
Other income	1,569	1,145	1,060	904	173	225	2,802	2,274
	16,667	13,980	1,183	904	173	225	3,080	2,382
	16,667	13,980	1,183	904	173	225	3,080	2,382

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	-	(606)	(763)	-	(316)	-
- Financial assets not measured at FVTPL	(31)	(146)	-	(424)	30	-	(45)	-
	<u>(31)</u>	<u>(146)</u>	<u>-</u>	<u>(1,030)</u>	<u>(733)</u>	<u>-</u>	<u>(361)</u>	<u>-</u>
<u>Other operating expenses</u>								
Depreciation	(2,224)	(3,228)	-	-	-	-	(3,148)	(5,269)
Agency related expenses	(13,186)	(19,985)	-	-	-	-	(13,186)	(19,985)
Debts written off	-	-	(118)	(2)	-	-	(118)	(2)
Other expenses	(257)	(131)	(429)	(1,491)	(305)	(7)	(1,117)	(1,321)
	<u>(15,667)</u>	<u>(23,344)</u>	<u>(547)</u>	<u>(1,493)</u>	<u>(305)</u>	<u>(7)</u>	<u>(17,569)</u>	<u>(26,577)</u>
	<u>(15,698)</u>	<u>(23,490)</u>	<u>(547)</u>	<u>(2,523)</u>	<u>(1,038)</u>	<u>(7)</u>	<u>(17,930)</u>	<u>(26,577)</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 27 Other Operating Expenses (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000	30.9.2020 RM'000	30.9.2019 RM'000
<u>Impairment losses on financial instruments:</u>								
- Takaful receivables	-	-	(2,423)	(2,010)	(772)	(10)	(3,195)	(2,020)
- Financial assets not measured at FVTPL	(24)	(236)	(591)	(726)	22	(73)	(593)	(1,035)
	<u>(24)</u>	<u>(236)</u>	<u>(3,014)</u>	<u>(2,736)</u>	<u>(750)</u>	<u>(83)</u>	<u>(3,788)</u>	<u>(3,055)</u>
<u>Other operating expenses</u>								
Depreciation	(6,649)	(10,364)	-	-	-	-	(9,636)	(16,437)
Agency related expenses	(42,086)	(38,774)	-	-	-	-	(42,086)	(38,774)
Loss from foreign exchange	-	-	-	-	-	(3)	-	(3)
Debts written off	-	-	(796)	(340)	-	-	(796)	(340)
Other expenses	(383)	(399)	(2,227)	(2,684)	(687)	(23)	(2,819)	(2,162)
	<u>(49,118)</u>	<u>(49,537)</u>	<u>(3,023)</u>	<u>(3,024)</u>	<u>(687)</u>	<u>(26)</u>	<u>(55,337)</u>	<u>(57,716)</u>
	<u>(49,142)</u>	<u>(49,773)</u>	<u>(6,037)</u>	<u>(5,760)</u>	<u>(1,437)</u>	<u>(109)</u>	<u>(59,125)</u>	<u>(60,771)</u>

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 28 Fair Value Information

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

30 September 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	7,245	-	-	7,245	-	-	-	-	7,245	7,245
Unit trusts	579	2,668	-	3,247	-	-	-	-	3,247	3,247
Institutional Trust Account	-	-	105,922	105,922	-	-	-	-	105,922	105,922
Islamic debt securities	110,680	510,439	-	621,119	-	-	-	-	621,119	621,119
Malaysian Government Islamic papers	-	34,085	-	34,085	-	-	-	-	34,085	34,085
Investment in linked funds	41,238	-	-	41,238	-	-	-	-	41,238	41,238
	159,742	547,192	105,922	812,856	-	-	-	-	812,856	812,856

## SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

#### 28 Fair Value Information (continued)

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

30 September 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	251,867	-	-	251,867	-	-	-	-	251,867	251,867
Unit trusts	18,806	14,334	-	33,140	-	-	-	-	33,140	33,140
Institutional Trust Account	-	-	481,811	481,811	-	-	-	-	481,811	481,811
Islamic debt securities	124,819	3,791,020	-	3,915,839	-	-	-	-	3,915,839	3,915,839
Malaysian Government Islamic papers	-	490,677	-	490,677	-	-	-	-	490,677	490,677
	395,492	4,296,031	481,811	5,173,334	-	-	-	-	5,173,334	5,173,334

**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		
<b>30 September 2020</b>										
<b>General Takaful</b>										
Institutional Trust Account	-	-	57,629	57,629	-	-	-	-	57,629	57,629
Islamic debt securities	-	302,829	-	302,829	-	-	-	-	302,829	302,829
Malaysian Government Islamic papers	-	5,797	-	5,797	-	-	-	-	5,797	5,797
	-	308,626	57,629	366,255	-	-	-	-	366,255	366,255
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	259,112	-	-	259,112	-	-	-	-	259,112	259,112
Unit trusts	19,385	17,002	-	36,387	-	-	-	-	36,387	36,387
Institutional Trust Account	-	-	645,362	645,362	-	-	-	-	645,362	645,362
Islamic debt securities	235,499	4,604,288	-	4,839,787	-	-	-	-	4,839,787	4,839,787
Malaysian Government Islamic papers	-	530,561	-	530,561	-	-	-	-	530,561	530,561
	513,996	5,151,851	645,362	6,311,209	-	-	-	-	6,311,209	6,311,209

**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 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:

	<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	3,750	15,138	1,887	20,775
Net change in fair value	245	(1,088)	(1,311)	(2,154)
At 30 September 2020	105,922	481,811	57,629	645,362

### 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>30.9.2020 RM'000</b>	<b>31.12.2019 RM'000</b>	<b>30.9.2020 RM'000</b>	<b>31.12.2019 RM'000</b>	<b>30.9.2020 RM'000</b>	<b>31.12.2019 RM'000</b>
<u>Days past due</u>						
Current (not past due)	170,619	84,801	64,441	114,150	235,060	198,951
1-30 days	670	921	331	151	1,001	1,072
31-60 days	1,000	1,095	137	192	1,137	1,287
61-90 days	53	90	235	190	288	280
91-180 days	23,124	132	1,346	527	24,470	659
> 180 days	2,801	6,766	1,276	1,256	4,077	8,022
	198,267	93,805	67,766	116,466	266,033	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	
	30.9.2020 RM'000	31.12.2019 RM'000	30.9.2020 RM'000	31.12.2019 RM'000	30.9.2020 RM'000	31.12.2019 RM'000
Bank Islam Malaysia Berhad	98	3	-	5	98	8

#### Material Impairment of Assets

##### Measurement of ECL

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

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

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

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

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

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

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

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### **29 Additional Information (continued)**

#### **Material Impairment of Assets (continued)**

##### Measurement of ECL (continued)

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

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

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

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

### **30 Foreign exchange exposure / hedging policy**

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

### **31 Derivatives**

The Group and Company did not enter into any derivatives for the current quarter under review and financial year ended 30 September 2020.

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

There were no gains/losses arising from fair value changes of financial liabilities during the current quarter under review and financial year ended 30 September 2020.

### **33 Regulatory capital requirements**

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

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

# SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### 33 Regulatory capital requirements (continued)

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

	<b>As at 30.9.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>
Tier 1 capital	1,685,334	1,519,250
Tier 2 capital	213,429	162,531
Deductions	(328,255)	(203,564)
<b>Total capital available</b>	<b>1,570,508</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, 24 November 2020