

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation

The condensed consolidated 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 condensed consolidated interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 December 2023. 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 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 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until the date such control ceases which occur when the Group's and the Company's license to manage Takaful business is withdrawn or surrendered.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 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 2022.

The accounting policies and presentation adopted by the Group for the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2022, except for the adoption of the following:

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17 'Insurance Contracts' and its amendments;
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of Accounting Policies';
- Amendments to MFRS 108 'Definition of Accounting Estimates';
- Amendments to MFRS 112 on 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

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, except or MFRS 17 "Insurance Contracts" and its amendments as mentioned below.

MFRS 17 'Insurance Contracts' establishes the principles for the recognition, measurement, presentation and disclosure of insurance/ takaful contracts and supersedes MFRS 4 'Insurance Contracts'. It applies to insurance/ takaful contracts issued, to all reinsurance/takaful contracts and to investment contracts with discretionary participating features if an entity also issues insurance/ takaful contracts.

The standard requires to separate the following components from takaful contracts: (i) embedded derivatives, if they meet certain specified criteria, (ii) distinct investment components, and (iii) distinct performance obligations to provide non-takaful goods and services. These components should be accounted for separately in accordance with the related standards.

Under MFRS 17, there are different measurement approaches to be applied for the takaful contracts, reflecting a different extent of policyholder participation in investment or insurance/ takaful entity performance:

- 1) General model, also known as the building block approach (BBA) for non-participating or indirect participating;
- 2) Variable fee approach (VFA) for direct participating; and
- 3) Premium* allocation approach (PAA), a simplified approach which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one obtained applying the general model.

* Premium refers to contribution in Takaful terms.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

The General model is a default model as required by MFRS 17 and is based on the following components:

- 1) the fulfilment cash flows (FCF), which represent the:
 - probability-weighted estimates of future cash flows;
 - an adjustment to reflect the time value of money (i.e. discounting) and the financial risks associated with those future cash flows;
 - an explicit risk adjustment for non-financial risk; and
- 2) the contractual service margin (CSM).

With regards to discounting, the Group applied a bottom-up discount rate (i.e. risk-free yield curve plus illiquidity premium). MFRS 17 requires using a market consistent yield curve factoring the illiquidity embedded in insurance/ takaful liabilities. The methodology consists of using a Basic Risk-Free Rate (RFR), based on government bonds and adding on an illiquidity premium (IP) allowance to reflect the remuneration of illiquidity observed.

Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion.

MFRS 17 does not prescribe a specific approach for determining the risk adjustment. The Group set the methodology of deriving risk adjustment to be based on the Provision of Risk Margin for Adverse Deviation (PRAD) approach, a regulatory reserving approach based on a confidence interval of 75%.

- Stress factors to determine risk charge as stated in the Risk Based Capital for Takaful (RBCT) Framework have been used as a reference to determine the PRAD factors to be applied on best estimate assumptions.

CSM is also a major change in MFRS 17 compared to MFRS 4. It represents the unearned profit from in-force contracts, presented as a liability separately from the FCF in the consolidated statement of financial position and will be recognised in the consolidated statement of income over the coverage period of the contracts, as the entity provides services to the policyholders. The CSM cannot be negative at inception, any net negative amount of the fulfilment cash flows at inception will be recorded as a day one loss in the consolidated statement of income immediately.

At the end of a reporting period, the carrying amount of a group of insurance/ takaful contracts is remeasured to be the sum of the liability for remaining coverage (LFRC) and the liability of incurred claims (LFIC). The liability for remaining coverage comprises the FCF related to future services and the CSM, while the liability for incurred claims consists of the FCF related to past services allocated to the affected group.

The Group applied the BBA for its Credit products, annuity business and individual businesses that do not have direct participation features, general takaful contracts which have coverage period of more than 1 year (for eg: long-term house owner and engineering contracts), and retakaful contracts held with coverage period or contract boundary of more than one year or do not pass the PAA eligibility test.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

For contracts measured under the BBA model, the CSM gets adjusted for changes in cash flows related to future services due to experience adjustments and changes in assumptions. The profit rate accretion on CSM is based on the locked-in discount rate at initial recognition of a contract that is applicable to nominal cash flows that do not vary based on the returns on any underlying items. An amount of the CSM for a group of contract is recognised in profit or loss in each period to reflect the services provided by the group of contract in that period. The amount is determined by identifying the coverage units in the group. MFRS 17 only provides principle-based guidance on how to determine these coverage units. The Group has determined its sum covered for the Takaful components to be computed based on the coverage units by benefit types.

Besides the BBA model, the Group applied the VFA for its investment-linked contracts, annuity business and individual businesses that have direct participation features and meet the criteria below:

- 1) The contractual terms specify that the certificate holders participate in a share of a clearly identified pool of underlying items;
- 2) The Company expects to pay the certificate holders an amount equal to a substantial share of the fair value returns of the underlying items; and
- 3) The Company expects a substantial proportion of any change in the amounts to be paid to the certificate holders to vary with the change in the fair value of the underlying items.

The assessment of whether the contract meets these criteria is made at inception of the contract and not revised subsequently, except in case of substantial modification of the contract.

The CSM for contracts measured under the VFA is adjusted to reflect the entities share in the change in the fair value of underlying items. No explicit profit accretion is required since the CSM is effectively remeasured when it is adjusted for changes in financial risks. For the VFA contracts, a change in the fair value of the asset's portfolio constitutes a change in the fair value of investment return of the Participant Individual Account (PIA) /Participant's Unit Account (PUA) and Participants Risk Fund (PRF). For these contracts, the change in FCF for LFRC due to change in the market variable, discount rate or financial risks including the change in Time Value of Financial Options and Guarantee (TVOG) should unlock CSM.

In addition to the 2 models, PAA is permitted for the measurement of the LFRC if it provides a measurement which is not materially different from the BBA model or if the coverage period of each contract in the group is one year or less. Under the PAA, the LFRC is measured as the amount of contribution received at initial recognition less acquisition costs and amounts already recognised as takaful revenue at the closing date. The measurement of the LFIC is identical under all 3 measurement models, apart from the determination of locked-in interest rates used for discounting. For the PAA, changes compared to MFRS 4 are expected to be limited and mainly linked to the discount of all reserves, a more granular onerous contract testing and the inclusion of a risk adjustment for non-financial risk.

The Group applied the PAA for individual yearly renewable products such as the general takaful contracts which have coverage period of 1 year or less and group yearly renewable products such as Group Term Medical and Health products.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

The surplus transferable from the family fund to participants and takaful operator is based on the surplus determined by an annual actuarial valuation of the long term liabilities to participants. Surplus distribution is determined at the fund level through the process of mutualisation which is in line with the actual surplus distribution by takaful operators. The Group applies surplus mutualisation in determining the level of aggregation, which is guided by the terms of the takaful contracts to ensure that it reflects the nature and terms of the takaful contracts. This is in-line with Takaful concept of mutual guarantee whereby the participants mutually agree to contribute to a pool of Risk Fund and with the aim to provide mutual financial aid and assistance to the participants in case of need. Any deficit arises in a single contract is mutualised among the product grouping.

Any deficit in the participants' risk fund within the Family Takaful Fund is made good via a Qard, which is a profit free financing, granted by the takaful operator fund to the participants' risk fund. In the participants' risk fund, the Qard is included in fulfillment cash flows used to measure the takaful liabilities under MFRS 17.

Qard is measured in the fulfilment cash flows at a value discounted for time value of money, which reflects the economic effect of the expected future cash flow, consistent with all the other cash flows measured in fulfilment cash flows. This accounting measurement does not affect the Family Takaful Fund's obligation to repay the nominal amount of Qard, nor does it affect or change any rights or obligations of the takaful operator fund.

The Qard shall be repaid from future surpluses of the participants' risk fund.

The Group has finalised the quantitative impact of the application of MFRS 17. MFRS 17 has to be applied retrospectively unless it is impracticable. If a full retrospective application (FRA) is impracticable, an entity can choose between a modified retrospective approach (MRA) or a fair value approach (FVA). The objective of the MRA is to use reasonable and supportable information available without undue cost or effort to achieve the closest possible outcome to FRA. For FVA, the CSM is determined as the positive difference between the fair value determined in accordance with MFRS 13 'Fair Value Measurement' and the FCF (any negative difference would be recognised in retained earnings at the transition date).

The Group's implementation project progressed throughout 2022, focusing on developing and integrating the operational capabilities necessary for implementing MFRS 17. This involved working on data, systems, and business processes, as well as determining the transition balance sheet as of 1 January 2022.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

The following table summarises the impact of transition of MFRS 17 on the Group consolidated balance sheet at 1 January 2022.

	MFRS 4 1 January 2022	Remapping / Removal of MFRS 4	Remeasurement effect of MFRS 17			MFRS 17 1 January 2022
			Transition CSM	Fulfilment Cash Flows	Tax effect	
<u>Family Takaful</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Takaful contract assets	-	138,909	-	76,855	-	215,764
Retakaful contract assets	446,539	(244,110)	-	(57,328)	-	145,101
Other assets	7,985,714	(188,037)	-	(2,970)	-	7,794,707
Total assets	8,432,253	(293,238)	-	16,557	-	8,155,572
Liability and Equity						
Takaful contract liabilities	8,234,197	(184,711)	-	23,339	-	8,072,825
Other liabilities	198,056	(108,527)	-	(6,782)	-	82,747
Total liabilities	8,432,253	(293,238)	-	16,557	-	8,155,572

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

	MFRS 4 1 January 2022	Remapping / Removal of MFRS 4	Remeasurement effect of MFRS 17			MFRS 17 1 January 2022
			Transition CSM	Fulfilment Cash Flows	Tax effect	
<u>General Takaful</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Retakaful contract assets	709,473	(485,869)	-	295,844	-	519,448
Other assets	1,193,411	(140,855)	-	-	-	1,052,556
Total assets	1,902,884	(626,724)	-	295,844	-	1,572,004
Liability and Equity						
Takaful contract liabilities	1,594,267	(351,482)	-	278,592	-	1,521,377
Retakaful contract liabilities	-	-	-	17,252	-	17,252
Other liabilities	308,617	(275,242)	-	-	-	33,375
Total liabilities	1,902,884	(626,724)	-	295,844	-	1,572,004

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

Group	MFRS 4 1 January 2022 RM'000	Remapping / Removal of MFRS 4 RM'000	Remeasurement effect of MFRS 17			MFRS 17 1 January 2022 RM'000
			Transition CSM RM'000	Fulfilment Cash Flows RM'000	Tax effect RM'000	
Assets						
Takaful contract assets	-	138,909	(2,506)	85,161	-	221,564
Retakaful contract assets	1,156,011	(729,977)	5,155	237,144	-	668,333
Other assets	11,552,823	(467,535)	-	(4,561)	169,118	11,249,845
Total assets	12,708,834	(1,058,603)	2,649	317,744	169,118	12,139,742
Liability and Equity						
Takaful contract liabilities	9,786,326	(678,704)	1,037,611	325,455	-	10,470,688
Retakaful contract liabilities	-	-	-	17,252	-	17,252
Other liabilities	1,080,125	(379,899)	-	(355,263)	-	344,963
Total liabilities	10,866,451	(1,058,603)	1,037,611	(12,556)	-	10,832,903
Equity						
Share capital	230,547	-	-	-	-	230,547
Reserves	1,578,043	-	(1,034,962)	330,300	169,118	1,042,499
Total equity attributable to Owners of the Company	1,808,590	-	(1,034,962)	330,300	169,118	1,273,046
Non-controlling interests	33,793	-	-	-	-	33,793
Total equity	1,842,383	-	(1,034,962)	330,300	169,118	1,306,839
Total liabilities and equity	12,708,834	(1,058,603)	2,649	317,744	169,118	12,139,742

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of Preparation (continued)

The following table shows the nature and amount of the measurement adjustments made to the opening balance sheet:

	Description
Remapping/ Removal of MFRS 4	The items include: <ul style="list-style-type: none">• 'Intangible assets' that relates to Bancatakaful is no longer reported following the transition to MFRS 17, as the future profits are deferred as unearned revenue within the CSM.• Takaful receivables, takaful payables, retakaful contract assets, takaful contract liabilities and other payables were removed on transition and to be replaced within MFRS 17 equivalents.
Transition CSM	CSM is a component of the takaful liability and represents the future unearned profit associated with takaful contracts which will be released to the Profit or Loss over the takaful coverage period.
Fulfilment Cash Flows	The measurement of the takaful contract assets/liabilities under MFRS 17 is based on groups of takaful contracts and includes a liability for fulfilling the contractual obligations associated with the takaful contract, such as contributions, expenses, and takaful benefits and claims. These are recorded within the fulfilment cash flows component of the takaful contract liabilities, together with the risk adjustment.
Tax effect	New deferred tax were reported, where appropriate, on temporary differences between the new MFRS 17 accounting balances and associated tax bases.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2022 did not contain any qualification.

The audited financial statements of the preceding year have not applied MFRS 17.

3 Seasonality of Operations

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 December 2023.

5 Estimates

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

6 Debt and Equity Securities

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

7 Dividends

The Company on 12 December 2022 declared an interim single tier dividend of 13.50 sen per ordinary share in respect of the financial year ended 31 December 2022 which was paid on 16 January 2023.

The Company on 29 December 2023 declared an interim single tier dividend of 14.00 sen per ordinary share in respect of the financial year ended 31 December 2023 which was paid on 2 February 2024.

8 Segmental Reporting

Business Segments:

	Family RM'000	General RM'000	Group RM'000
Financial year ended 31 December 2023			
Takaful revenue	1,550,704	1,279,287	2,942,129
Profit before zakat and tax	-	-	507,641
Financial year ended 31 December 2022			
Takaful revenue	1,502,328	1,017,894	2,570,534
Profit before zakat and tax	-	-	453,098

9 Investment Properties

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

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10 Material Events Subsequent to the End of the Year

There was no material event subsequent to the end of the year under review that has not been reported in the condensed consolidated 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 2023.

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

	12 months ended			3 months ended		
	31.12.2023	31.12.2022	Changes	31.12.2023	31.12.2022	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Takaful revenue	2,942,129	2,570,534	14%	989,617	954,793	4%
Takaful service expenses	(2,570,851)	(2,360,993)	9%	(926,954)	(879,869)	5%
Profit before zakat and tax	507,641	453,098	12%	115,333	123,577	-7%

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

Group Takaful revenue

The Group recorded takaful revenue of RM2,942.1 million for the financial year ended 31 December 2023, was higher by RM371.6 million (14%) as compared to RM2,570.5 million in the preceding year. The increase was mainly attributable to:

- Higher contribution income by RM205.7 million, mainly from General Takaful;
- Higher amount charged for takaful coverage and wakalah fees for both Family Takaful and General Takaful, by RM171.9 million; and
- Higher CSM release by RM21.6 million.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Review of Performance (continued)

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

Group Takaful service expense

The Group recorded takaful service expense of RM2,570.9 million for the financial year ended 31 December 2023, was higher by RM209.9 million (9%) as compared to RM2,361.0 million in the preceding year. The increase was mainly attributable to higher acquisition expense for wakalah fees of RM206.8 million.

Group Profit before zakat and tax

For the financial year ended 31 December 2023, the Group recorded profit before tax and zakat of RM507.6 million, higher by 12% as compared to the preceding year of RM453.1 million. This was mainly attributable to:

- i) Higher net investment income by RM143.9 million mainly attributable to higher profit from fixed income investment assets and lower fair value losses;

It was partially offset by:

- ii) Lower takaful service results by RM34.3 million, mainly attributable to net expense from retakaful contract.
- iii) Higher net takaful finance expenses from takaful contracts issued by RM44.9 million.

Family Takaful

(i) Takaful revenue

Family Takaful generated takaful revenue of RM1,550.7 million for the financial year ended 31 December 2023, increased by 3% as compared to RM1,502.3 million in the preceding year, mainly attributable to higher takaful revenue earned for takaful services provided.

(ii) Takaful service expense

For the financial year ended 31 December 2023, the takaful service expenses for Family Fund increased to RM1,852.9 million from RM1,675.8 million in the preceding year. This was mainly attributable to higher claims incurred and higher acquisition expense for wakalah.

(iii) Net investment income

The investment income for the financial year ended 31 December 2023 was RM369.3 million, increased by RM103.7 million, mainly due to higher profit income from fixed income investments and lower net fair value losses on financial assets.

(iv) Net Takaful Financial Results

The Group recorded net takaful financial results of RM130.5 million for the financial year ended 31 December 2023, higher by RM38.6 million as compared to the preceding year of RM92.0 million. The higher net negative takaful financial results were mainly attributable to higher takaful finance expenses from higher takaful contract liabilities.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Review of Performance (continued)

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

General Takaful

(i) Takaful Revenue

General takaful recorded Takaful revenue of RM1,279.3 million for the financial year ended 31 December 2023, 26% higher as compared to the preceding year of RM1,017.9 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

(ii) Net Expense from Retakaful Contracts Held

General Takaful recorded net expense from retakaful contracts held of RM252.3 million for the financial year ended 31 December 2023, RM270.5 million higher as compared to same period last year of RM18.3 million net income. The higher of net expense from retakaful contracts held was mainly attributable to hardening of retakaful rate.

(iii) Net Investment Income

The net investment income for the financial year ended 31 December 2023 was RM51.6 million, higher by RM15.1 million as compared to the preceding year of RM36.5 million, mainly due to higher profit income from fixed income investments.

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

Group Takaful revenue

The Group recorded takaful revenue of RM989.6 million for the fourth quarter ended 31 December 2023, was higher by RM34.8 million or 4% as compared to RM954.8 million in the same period last year. The increase was mainly attributable higher amount charged for takaful coverage for both Family Takaful and General Takaful.

Group Takaful service expense

The Group recorded takaful service expense of RM927.0 million for the fourth quarter ended 31 December 2023, was higher by RM47.1 million (5%) as compared to RM879.9 million in the same period last year. The increased was mainly attributable to:

i) Higher acquisition expense for wakalah fees of RM185.8 million;

It was partially offset by:

ii) Lower incurred claim as well as claim liabilities by RM138.9 million compared to the same period last year.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Review of Performance (continued)

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

Family Takaful

(i) Takaful revenue

Family Takaful generated takaful revenue of RM425.8 million for the fourth quarter ended 31 December 2023, decreased by 24% as compared to RM562.1 million in the same period last year, mainly attributable to lower takaful revenue earned for takaful services provided.

(ii) Takaful service expense

For the fourth quarter ended 31 December 2023, the takaful service expenses for Family Fund decreased to RM548.8 million from RM627.2 million in the same period last year. This was mainly attributable to decrease in claim related expense.

(iii) Net investment income

The investment income for the fourth quarter ended 31 December 2023 was RM95.8 million, decreased by RM6.3 million, mainly due to increase in net fair value losses on financial assets.

(iv) Net Takaful Financial Results

The Group recorded a negative net takaful financial results of RM42.8 million for the fourth quarter of FY2023, higher by RM6.7 million as compared to same period last year of RM36.1 million. The increased net takaful financial results was mainly attributable to higher takaful finance expenses incurred from takaful contracts issued, due to change in carrying amount of takaful contracts.

General Takaful

(i) Takaful Revenue

General takaful recorded Takaful revenue of RM346.9 million for the fourth quarter of FY2023, 25% higher as compared to same period last year of RM277.1 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Review of Performance (continued)

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

General Takaful (continued)

(ii) Net expense from Retakaful Contracts Held

General Takaful recorded net expense from retakaful contracts held of RM101.3 million for the fourth quarter of FY2023, RM73.4 million higher as compared to same period last year of RM27.9 million. The higher of net expense from retakaful contracts held was mainly attributable to higher retakaful contribution and lower recoverables from takaful operators for incurred claims.

14.3 Review of Statements of Financial Position

As at 31 December 2023, total assets of RM14,407.5 million, increased by 8% as compared to RM13,295.8 million as at 31 December 2022, mainly attributable to higher loans and receivables, investments, and partially offset by lower cash and cash equivalents.

Loans and receivables increased from RM607.7 million to RM2,153.0 million whilst cash and cash equivalents decreased from RM2,067.3 million to RM851.4 million as at 31 December 2023 mainly due to increase in placement in fixed and call deposits at licensed institutions with maturity more than 3 months arising from business growth.

Investments increased by 7% from RM8,622.0 million as at 31 December 2022 to RM9,259.6 million as at 31 December 2023, mainly attributable to the increase in Islamic debts securities and Malaysian Government Islamic Papers. The increase was mainly attributable to new purchases of sukuk.

Total liabilities increased to RM12,693.3 million as at 31 December 2023 as compared to RM11,852.3 million as at 31 December 2022, which was mainly attributable to higher takaful contract liabilities.

Shareholders' equity increased by 19% to RM1,714.2 million as at 31 December 2023. This is mainly attributed to the net profit generated during the financial year of RM347.1 million.

14.4 Review of Statements of Cash Flows

For the fourth quarter ended 31 December 2023, the Group's cash flow position decreased to RM851.4 million as compared to the position as at 31 December 2022 of RM2,067.3 million, mainly attributable to utilisation of cash towards placement of money market instruments with maturity profile above 3 months during the quarter. The Group's cash flow position remain healthy and able to meet its obligation.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.12.2023	Immediate Preceding Quarter 30.09.2023	Changes
	RM'000	RM'000	%
Takaful revenue	989,617	639,501	55%
Takaful service expense	(926,954)	(523,344)	77%
Profit before zakat and tax	115,333	130,886	-12%

Group Takaful revenue

For the current quarter under review, the Group recorded takaful revenue of RM989.6 million, higher by RM 350.1 million or 55% as compared to RM639.5 million in the immediate preceding quarter. The increase was mainly attributable to higher amount charged for takaful coverage and wakalah fees.

Group Takaful service expense

For the current quarter under review, the Group recorded takaful service expense of RM927.0 million, higher by RM403.7 million (77%) as compared to RM523.3 million in the immediate preceding quarter. The increase was mainly attributable to higher acquisition expense for wakalah fees of RM352.1 million and higher incurred claims of RM28.9 million

Group Profit before zakat and tax

For the current quarter under review, the Group recorded profit before tax and zakat of RM115.3 million, lower by 12% as compared to the immediate preceding quarter of RM130.9 million. This was mainly attributable to:

- i) Higher takaful service expenses that resulted a loss of takaful service result. It was partially offset by:
- ii) Lower allocation of retakaful contribution.

Family Takaful

(i) Takaful revenue

For the current quarter under review, Family Takaful generated takaful revenue of RM425.8 million, decreased by 19% as compared to RM523.5 million in the immediate preceding quarter. This was mainly attributable to lower amount charged for takaful coverage.

(ii) Takaful service expense

For the current quarter under review, the takaful service expenses for Family Takaful decreased by 8% to RM548.8 million from RM593.7 million in the immediate preceding quarter. This was mainly attributable to lower amortisation of acquisition expense by RM 113.5 million and partially offset by claims and benefits related expenses of RM50.7 million.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Family Takaful (continued)

(iii) Net Takaful Financial Results

For the current quarter under review, Family Takaful recorded a negative net takaful financial results of RM42.8 million, higher by RM8.6 million as compared to the immediate preceding quarter of RM34.2 million. The higher net negative takaful financial results were mainly attributable to higher charge from increased carrying amount of takaful contracts.

General Takaful

(i) Takaful Revenue

For the current quarter under review, General takaful recorded Takaful revenue of RM346.9 million, 4% higher as compared to the immediate preceding quarter of RM332.7 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

(ii) Takaful Service Expense

For the current quarter under review, General Takaful recorded Takaful service expense of RM254.6 million, 4% lower as compared to the immediate preceding quarter of RM265.3 million. The lower takaful service expense was mainly attributable to higher release in liabilities for incurred claims compared preceding quarter.

(iii) Net expense from Retakaful Contracts Held

For the current quarter under review, General Takaful recorded net expense from retakaful contracts held of RM101.3 million, higher by RM26.3 million as compared to the immediate preceding quarter net expense of RM75.0 million. During the quarter, there was higher allocation of retakaful contribution and lower amount recoverable from retakaful operators compared to the preceding quarter.

16 Current Year Prospects

2023 GDP moderated to 3.7% from 8.7% in 2022 (based on Economic and Financial Developments in Malaysia in Fourth Quarter of 2023 issued by Bank Negara Malaysia on 16 February 2024). Growth in 2024 is expected to face similar challenges in 2023 including the global economic environment especially inflation, high interest rates and weaker than expected global consumer demand. The Group will continue to contain costs prudently and manage our risk exposure conservatively, whilst seeking opportunities for business growth in green fields – these will be backed by our strong capital and liquidity positions.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16 Current Year Prospects (continued)

In 2023, we sustained good performance in our core businesses in Bancatakaful, Treasury, Employee Benefits and General Takaful, and we maintained strong foothold in these key markets and thus sustaining our leadership in the takaful industry. Our leadership was supported by continued solid financial fundamentals and operational resilience, enabling us to continue to produce commendable business performance in the face of various challenges in recent years. We continue to be the preferred takaful operator by our customers, and our status as the first takaful operator in Malaysia lends further weight to our market leadership

We maintained focus to diversify our business portfolio into retail markets, where it is our plan to build a multi-distribution platform, from which we wish to provide Malaysians with easier access to more affordable regular contribution protection products. We have rolled out more retail products focusing on medical, savings, and takaful protection with investment, and achieved greater growth momentum in our regular contribution business since the beginning of 2023. In particular, we have launched Kaotim, a refreshed direct-to-market brand in late 2023, focusing on reaching to young professionals and the digital savvy, and the initial results are encouraging.

The Group continues to grow its business in a sustainable and environmentally friendly manner and we have made commitment to the Takaful industry's initiative on Value-based Intermediation ("VBI") towards building a Sustainable Finance Ecosystem. Accordingly, we have adopted an integrated and inter-disciplinary approach to managing sustainability, focusing on 4 key areas namely (Products & Services, Business Process & Culture, Investment, Social and Community), to generate sustainable impacts on the economy, community and environment.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

18 Taxation

	3 months ended		Cumulative 12 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Current financial year	33,667	56,055	150,862	175,335
- Under provision in prior year	9,307	-	8,498	1,431
Deferred tax expense:				
- Current financial year	(560)	(4,152)	(8,974)	(15,867)
Total tax expense	<u>42,414</u>	<u>51,903</u>	<u>150,386</u>	<u>160,899</u>

- 18.1 The effective tax rate is higher than the statutory tax rate for the current financial year due to higher non-deductible expenses.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. Taxation (continued)

18.2 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 last court mention which was fixed on 15th February 2024 was postponed to a later date. The next court mention is fixed on 25th April 2024.

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 December 2023.

21 Material Litigation

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

22 Earnings per Share

Basic earnings per share (“Basic EPS”)

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

	3 months ended		Cumulative 12 months ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Owners of the Company (RM'000)	<u>70,315</u>	<u>67,122</u>	<u>346,911</u>	<u>282,859</u>
Weighted average number of ordinary shares in issue ('000)	<u>837,306</u>	<u>836,824</u>	<u>837,306</u>	<u>836,416</u>
Basic EPS (sen)	<u>8.40</u>	<u>8.02</u>	<u>41.43</u>	<u>33.82</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22 Earnings per Share (continued)

Diluted earnings per share (“Diluted EPS”)

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

		3 months ended		Cumulative 12 months ended	
		31.12.2023	31.12.2022	31.12.2023	31.12.2022
Owners of the Company (RM'000)		70,315	67,122	346,911	282,859
Weighted average number of ordinary shares in issue	('000)	837,306	836,824	837,306	836,416
Effects of dilution	('000)	-	142	-	142
Diluted weighted average number of ordinary shares in issue	('000)	837,306	836,966	837,306	836,558
Diluted EPS	(sen)	8.40	8.02	41.43	33.81

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful contract assets / liabilities and Retakaful contract assets / liabilities

	Assets		Liabilities		Total assets RM'000	Total liabilities RM'000
	Remaining coverage RM'000	Incurred claims RM'000	Remaining coverage RM'000	Incurred claims RM'000		
31 December 2023						
Family Takaful						
Takaful contract	73,301	272,837	(357,563)	(9,027,216)	346,138	(9,384,779)
Retakaful contract	49,064	297,425	(138,413)	-	346,489	(138,413)
	<u>122,365</u>	<u>570,262</u>	<u>(495,976)</u>	<u>(9,027,216)</u>	<u>692,627</u>	<u>(9,523,192)</u>
General Takaful						
Takaful contract	4,180	9,155	(323,113)	(1,581,103)	13,335	(1,904,216)
Retakaful contract	154,583	595,209	(3,398)	(124,162)	749,792	(127,560)
	<u>158,763</u>	<u>604,364</u>	<u>(326,511)</u>	<u>(1,705,265)</u>	<u>763,127</u>	<u>(2,031,776)</u>
Group						
Takaful contract	101,864	281,992	(1,464,423)	(10,585,711)	383,856	(12,050,134)
Retakaful contract	214,477	892,634	(143,505)	(124,162)	1,107,111	(267,667)
	<u>316,341</u>	<u>1,174,626</u>	<u>(1,607,928)</u>	<u>(10,709,873)</u>	<u>1,490,967</u>	<u>(12,317,801)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful contract assets / liabilities and retakaful contract assets / liabilities (continued)

	Assets		Liabilities		Total assets RM'000	Total liabilities RM'000
	Remaining coverage RM'000	Incurred claims RM'000	Remaining coverage RM'000	Incurred claims RM'000		
31 December 2022						
Family Takaful						
Takaful contract	116,216	137,418	(37,406)	(8,388,691)	253,634	(8,426,097)
Retakaful contract	44,218	170,446	(77,123)	-	214,664	(77,123)
	<u>160,434</u>	<u>307,864</u>	<u>(114,529)</u>	<u>(8,388,691)</u>	<u>468,298</u>	<u>(8,503,220)</u>
General Takaful						
Takaful contract	3,841	3,237	(258,645)	(1,551,549)	7,078	(1,810,194)
Retakaful contract	190,723	639,983	(2,907)	(129,197)	830,706	(132,104)
	<u>194,564</u>	<u>643,220</u>	<u>(261,552)</u>	<u>(1,680,746)</u>	<u>837,784</u>	<u>(1,942,298)</u>
Group						
Takaful contract	186,178	140,655	(1,356,514)	(9,918,459)	326,833	(11,274,973)
Retakaful contract	237,015	810,429	(80,927)	(129,197)	1,047,444	(210,124)
	<u>423,193</u>	<u>951,084</u>	<u>(1,437,441)</u>	<u>(10,047,656)</u>	<u>1,374,277</u>	<u>(11,485,097)</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful contract assets / liabilities and retakaful contract assets / liabilities (continued)

23.1 Movements in takaful contract balances

	Family Takaful		General Takaful		Group	
	2023 RM'000	2022 RM'000 <i>Restated</i>	2023 RM'000	2022 RM'000 <i>Restated</i>	2023 RM'000	2022 RM'000 <i>Restated</i>
Takaful contract liabilities as at 1 January	8,426,097	8,072,825	1,810,194	1,521,377	11,274,973	10,470,688
Takaful contract assets as at 1 January	(253,634)	(215,764)	(7,078)	-	(326,833)	(221,564)
Net takaful contract liabilities as at 1 January	8,172,463	7,857,061	1,803,116	1,521,377	10,948,140	10,249,124
Takaful revenue	(1,550,704)	(1,502,328)	(1,279,287)	(1,017,894)	(2,942,129)	(2,570,534)
Takaful service expense	1,852,863	1,675,844	1,059,562	1,058,865	2,570,851	2,360,993
Takaful service result	302,159	173,516	(219,725)	40,971	(371,278)	(209,541)
Takaful finance expenses from takaful contracts issued	128,218	94,924	53,832	35,022	222,014	176,008
Effect of movements in exchange rates	21,665	(11,632)	-	-	22,552	(12,189)
Total changes in the statement of profit or loss and OCI	452,042	256,808	(165,893)	75,993	(126,712)	(45,722)
Cash flows						
Contributions received	2,330,139	2,190,465	1,330,523	1,082,956	3,634,248	3,274,945
Claims and other expenses paid including investment components	(771,279)	(692,857)	(577,212)	(523,829)	(1,461,705)	(1,338,263)
Deem settlement transfer	(883,084)	(808,654)	(488,033)	(403,947)	36,292	26,935
Takaful acquisition cash flows	-	-	-	-	(1,098,624)	(627,969)
Total cash flows	675,776	688,954	265,278	155,180	1,110,211	1,335,648
Other movements	(261,640)	(630,360)	(11,620)	50,566	(265,361)	(590,910)
Net takaful contract liabilities as at 31 December	9,038,641	8,172,463	1,890,881	1,803,116	11,666,278	10,948,140
Takaful contract liabilities as at 31 December	9,384,779	8,426,097	1,904,216	1,810,194	12,050,134	11,274,973
Takaful contract assets as at 31 December	(346,138)	(253,634)	(13,335)	(7,078)	(383,856)	(326,833)
Net takaful contract liabilities as at 31 December	9,038,641	8,172,463	1,890,881	1,803,116	11,666,278	10,948,140

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23 Takaful contract assets / liabilities and retakaful contract assets / liabilities (continued)

23.2 Movements in retakaful contract balances

	Family Takaful		General Takaful		Group	
	2023 RM'000	2022 RM'000 <i>Restated</i>	2023 RM'000	2022 RM'000 <i>Restated</i>	2023 RM'000	2022 RM'000 <i>Restated</i>
Retakaful contract assets as at 1 January	214,664	145,101	830,706	519,448	1,047,444	668,333
Retakaful contract liabilities as at 1 January	(77,123)	-	(132,104)	(17,252)	(210,124)	(17,252)
Net retakaful contract assets as at 1 January	137,541	145,101	698,602	502,196	837,320	651,081
Allocation of retakaful contributions	(154,746)	(170,486)	(472,001)	(288,643)	(633,795)	(477,615)
Amounts recoverable from retakaful operators	217,474	170,141	219,738	306,927	437,212	474,181
Retakaful investment components	-	-	-	9,540	-	-
Net (expenses)/income from retakaful operators	62,728	(345)	(252,263)	27,824	(196,583)	(3,434)
Effect of changes in non-performance risk of retakaful operators	816	355	193	(1,080)	1,009	(725)
Retakaful finance income from retakaful contracts held	-	-	33,050	21,763	33,185	21,954
Effect of movements in exchange rates	2,953	(2,033)	-	-	2,909	(2,001)
Total changes in the statement of profit or loss and OCI	66,497	(2,023)	(219,020)	48,507	(159,480)	15,794
Cash flows						
Retakaful contributions paid	95,929	162,545	469,924	625,426	578,474	803,631
Amounts received	(100,508)	(164,345)	(285,573)	(526,496)	(386,081)	(690,841)
Total cash flows	(4,579)	(1,800)	184,351	98,930	192,393	112,790
Other movements	8,617	(3,737)	(41,701)	48,969	(30,789)	57,655
Net retakaful contract assets as at 31 December	208,076	137,541	622,232	698,602	839,444	837,320
Retakaful contract assets as at 31 December	346,489	214,664	749,792	830,706	1,107,111	1,047,444
Retakaful contract liabilities as at 31 December	(138,413)	(77,123)	(127,560)	(132,104)	(267,667)	(210,124)
Net retakaful contract assets as at 30 31 December	208,076	137,541	622,232	698,602	839,444	837,320

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 Takaful revenue

The table below presents an analysis of the total takaful revenue recognised in the period:

	Family Takaful 3 months ended		General Takaful 3 months ended		Group 3 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>
Amounts relating to the changes in the liability for remaining coverage						
Expected claims and takaful service expenses incurred in the period	252,539	355,605	9,880	8,671	257,555	297,577
Change in the risk adjustment for non-financial risk Amount of Contractual Service Margin ("CSM") recognised in the profit or loss	-	-	-	-	(60,078)	(41,879)
Other amounts including experience adjustments for income related items	3,075	(33,669)	(148)	(222)	1,929	(2,605)
Others	-	124	(23)	(137)	(18)	(5)
Amounts relating to recovery of takaful acquisition cash flows	114,152	84,949	2,541	2,480	192,148	119,922
Takaful revenue - contracts not measured under PAA	369,766	407,009	12,250	10,792	458,104	535,960
Takaful revenue - contracts measured under PAA	56,063	155,099	334,639	266,264	531,513	418,833
Total takaful revenue	425,829	562,108	346,889	277,056	989,617	954,793

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 Takaful revenue (continued)

The table below presents an analysis of the total takaful revenue recognised in the period (continued):

	Family Takaful 12 months ended		General Takaful 12 months ended		Group 12 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>
Amounts relating to the changes in the liability for remaining coverage						
Expected claims and takaful service expenses incurred in the period	819,403	799,776	35,102	35,380	832,549	813,855
Change in the risk adjustment for non-financial risk	-	-	-	-	13,755	46,658
Amount of Contractual Service Margin ("CSM") recognised in the profit or loss	-	-	-	-	240,040	218,472
Other amounts including experience adjustments for income related items	10,122	2,908	570	(671)	14,595	4,242
Others	-	5	78	(183)	100	(152)
Amounts relating to recovery of takaful acquisition cash flows	416,109	339,789	10,317	10,060	282,699	153,435
Takaful revenue - contracts not measured under PAA	1,245,634	1,142,478	46,067	44,586	1,383,738	1,236,510
Takaful revenue - contracts measured under PAA	305,070	359,850	1,233,220	973,308	1,558,391	1,334,024
Total takaful revenue	1,550,704	1,502,328	1,279,287	1,017,894	2,942,129	2,570,534

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Takaful service expenses

The table below presents an analysis of the total takaful service expenses recognised in the period:

	Family Takaful 3 months ended		General Takaful 3 months ended		Group 3 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>
Incurred claims and other takaful service expenses	361,666	330,970	150,713	139,831	522,199	483,984
Amortisation of acquisition cash flows - wakalah fees	131,711	108,099	125,055	102,631	363,881	178,073
Losses on onerous contracts and reversal of losses on onerous contracts	-	-	-	-	6,618	15,685
Changes to liabilities for incurred claims	55,465	188,171	(21,209)	13,958	34,256	202,127
Total takaful service expenses	548,842	627,240	254,559	256,420	926,954	879,869
Represented by:						
Contracts not measured under PAA	447,402	541,666	13,260	11,758	519,553	604,369
Contracts measured under PAA	101,440	85,574	241,299	244,662	407,401	275,500
	548,842	627,240	254,559	256,420	926,954	879,869

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Takaful service expenses (continued)

The table below presents an analysis of the total takaful service expenses recognised in the period (continued):

	Family Takaful 12 months ended		General Takaful 12 months ended		Group 12 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>	31.12.2023 RM'000	31.12.2022 RM'000 <i>Restated</i>
Incurred claims and other takaful service expenses	1,330,324	1,191,344	575,713	683,880	1,971,674	1,971,457
Amortisation of acquisition cash flows - wakalah fees	510,663	458,602	463,507	379,679	555,738	348,961
Losses on onerous contracts and reversal of losses on onerous contracts	-	-	-	-	11,221	19,373
Changes to liabilities for incurred claims	11,876	25,898	20,342	(4,694)	32,218	21,202
Total takaful service expenses	1,852,863	1,675,844	1,059,562	1,058,865	2,570,851	2,360,993
Represented by:						
Contracts not measured under PAA	1,478,195	1,335,163	50,704	47,635	1,368,734	1,146,146
Contracts measured under PAA	374,668	340,681	1,008,858	1,011,230	1,202,117	1,214,847
	1,852,863	1,675,844	1,059,562	1,058,865	2,570,851	2,360,993

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Investment Income

The investment income consists of the following:

	Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>						
Profit income	89,706	82,719	13,381	11,037	126,404	116,068
Amortisation	(1,852)	(2,260)	(183)	(232)	(2,471)	(2,963)
	<u>87,854</u>	<u>80,459</u>	<u>13,198</u>	<u>10,805</u>	<u>123,933</u>	<u>113,105</u>
<u>Investment income - others</u>						
Rental income	1,685	2,292	34	26	1,960	2,537
Dividend income	4,297	2,101	-	-	4,356	2,169
Profit income	7,132	3,690	465	-	9,141	4,816
Amortisation	(3)	(2)	-	-	(3)	(2)
Investment expenses	(51)	(249)	(11)	(1)	(62)	(250)
	<u>13,060</u>	<u>7,832</u>	<u>488</u>	<u>25</u>	<u>15,392</u>	<u>9,270</u>
	<u>100,914</u>	<u>88,291</u>	<u>13,686</u>	<u>10,830</u>	<u>139,325</u>	<u>122,375</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Investment Income (continued)

The investment income consists of the following (continued):

	Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<u>Investment income on financial assets not measured at FVTPL</u>						
Profit income	344,037	296,535	51,127	37,052	486,744	411,125
Amortisation	(8,444)	(7,959)	(666)	(966)	(12,169)	(10,738)
	<u>335,593</u>	<u>288,576</u>	<u>50,461</u>	<u>36,086</u>	<u>474,575</u>	<u>400,387</u>
<u>Investment income - others</u>						
Rental income	6,470	6,056	176	106	7,461	7,017
Dividend income	10,355	8,319	-	-	10,585	8,600
Profit income	17,729	14,174	465	-	23,160	18,209
Amortisation	-	-	-	-	-	-
Investment expenses	(414)	(666)	(108)	(101)	(522)	(767)
	<u>34,140</u>	<u>27,883</u>	<u>533</u>	<u>5</u>	<u>40,684</u>	<u>33,059</u>
	<u><u>369,733</u></u>	<u><u>316,459</u></u>	<u><u>50,994</u></u>	<u><u>36,091</u></u>	<u><u>515,259</u></u>	<u><u>433,446</u></u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 Realised gains and losses

The realised gains and losses consist of the following:

	Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<u>Realised gains and losses arising from:</u>						
FVOCI financial assets:						
- Islamic debt securities (Unquoted in Malaysia)	1,787	(25)	-	-	1,991	169
- Islamic debt securities (Unquoted outside Malaysia)	39	-	-	-	13	(17)
	<u>1,826</u>	<u>(25)</u>	<u>-</u>	<u>-</u>	<u>2,004</u>	<u>152</u>
	Family Takaful Fund 12 months ended		General Takaful Fund 12 months ended		Group 12 months ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<u>Realised gains and losses arising from:</u>						
FVOCI financial assets:						
- Islamic debt securities (Unquoted in Malaysia)	11,885	11,814	1,059	1,190	24,177	15,702
- Islamic debt securities (Unquoted outside Malaysia)	-	(93)	-	-	(23)	(104)
	<u>11,885</u>	<u>11,721</u>	<u>1,059</u>	<u>1,190</u>	<u>24,154</u>	<u>15,598</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Fair Value Information

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

31 December 2023	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Family Takaful					
Financial assets					
Equity securities	240,187	75,159	-	315,346	315,346
Unit trusts	93,520	26,690	-	120,210	120,210
Institutional Trust Account	-	-	403,795	403,795	403,795
Islamic debt securities	147,689	5,556,790	-	5,704,479	5,704,479
Malaysian Government Islamic papers	-	596,463	-	596,463	596,463
	<u>481,396</u>	<u>6,255,102</u>	<u>403,795</u>	<u>7,140,293</u>	<u>7,140,293</u>
General Takaful					
Institutional Trust Account	-	-	58,275	58,275	58,275
Islamic debt securities	-	613,292	-	613,292	613,292
Malaysian Government Islamic papers	-	75,838	-	75,838	75,838
	<u>-</u>	<u>689,130</u>	<u>58,275</u>	<u>747,405</u>	<u>747,405</u>
Group					
Financial assets					
Equity securities	245,938	107,371	380	353,689	353,689
Unit trusts	94,166	33,748	-	127,914	127,914
Institutional Trust Account	-	-	540,040	540,040	540,040
Islamic debt securities	185,985	7,285,600	-	7,471,585	7,471,585
Malaysian Government Islamic papers	-	766,396	-	766,396	766,396
	<u>526,089</u>	<u>8,193,115</u>	<u>540,420</u>	<u>9,259,624</u>	<u>9,259,624</u>

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Fair Value Information (continued)

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

31 December 2022	Fair value of financial instruments carried at fair value				Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	
Family Takaful					
Financial assets					
Equity securities	247,331	118,224	-	365,555	365,555
Unit trusts	95,592	28,647	-	124,239	124,239
Institutional Trust Account	-	-	382,872	382,872	382,872
Islamic debt securities	142,059	5,013,662	-	5,155,721	5,155,721
Malaysian Government Islamic papers	-	465,128	-	465,128	465,128
	484,982	5,625,661	382,872	6,493,515	6,493,515
General Takaful					
Institutional Trust Account	-	-	54,958	54,958	54,958
Islamic debt securities	-	544,236	-	544,236	544,236
Malaysian Government Islamic papers	-	74,683	-	74,683	74,683
	-	618,919	54,958	673,877	673,877
Group					
Financial assets					
Equity securities	255,128	150,012	-	405,140	405,140
Unit trusts	96,217	35,430	-	131,647	131,647
Institutional Trust Account	-	-	511,757	511,757	511,757
Islamic debt securities	179,515	6,752,811	-	6,932,326	6,932,326
Malaysian Government Islamic papers	-	641,111	-	641,111	641,111
	530,860	7,579,364	511,757	8,621,981	8,621,981

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 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:

	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Institutional Trust Account			
As at 1 January 2022	471,247	59,550	617,774
Maturity	(105,471)	(6,669)	(128,620)
Dividend capitalised	920	-	2,127
Investment income – realised	16,970	2,172	21,573
Net change in fair value	(794)	(95)	(1,097)
As at 31 December 2022 / 1 January 2023	<u>382,872</u>	<u>54,958</u>	<u>511,757</u>
Maturity			
Dividend capitalised	18,080	2,239	23,970
Investment income – realised	2,843	1,078	4,313
As at 31 December 2023	<u>403,795</u>	<u>58,275</u>	<u>540,040</u>

30 Additional Information

Takaful receivables (included within Takaful Contract Liabilities/Assets)

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	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
<u>Days past due</u>						
Current (not past due)	309,776	192,019	304,009	247,764	613,785	439,783
1-30 days	1,672	2,644	1,906	433	3,578	3,077
31-60 days	375	290	59	198	434	488
61-90 days	459	428	(5)	208	454	636
91-180 days	1,700	1,593	293	618	1,993	2,211
> 180 days	(27)	182	1,106	1,922	1,079	2,104
	<u>313,955</u>	<u>197,156</u>	<u>307,368</u>	<u>251,143</u>	<u>621,323</u>	<u>448,299</u>

The average credit terms of Takaful receivables granted to related parties and non-related parties are 12 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.

There is no significant Takaful receivables of the Group and of the Company with its related parties as at the end of the reporting period.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Additional Information (continued)

Material Impairment of Assets

Measurement of Expected Credit Loss (“ECL”)

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

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

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

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

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

Measurement of ECL (continued)

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.

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 recognised in profit or loss is not significant to the Group.

SYARIKAT TAKAFUL MALAYSIA KELUARGA BERHAD

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 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.

32 Derivatives

The Group and Company did not enter into any derivatives for the financial year ended 31 December 2023.

33 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 financial period ended 31 December 2023.

34 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 ended 31 December 2023, the Company has a capital adequacy ratio in excess of the minimum requirement.

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

	As at 31.12.2023 RM'000	As at 31.12.2022 RM'000
Tier 1 capital	2,699,773	2,476,578
Tier 2 capital	64,098	(36,923)
Deductions	(598,380)	(322,607)
Total capital available	2,165,491	2,117,048

By Order of the Board

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

Kuala Lumpur, 26 February 2024