

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 MARCH 2015**

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, and the Group’s interest in an associate as at and for the quarter ended 31 March 2015. 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.

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 2014. 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 2014.

2 Auditors’ Report

The auditors’ report on the audited financial statements of the preceding year ended 31 December 2014 did not contain any qualification.

3 Seasonality of Operations

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

4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 March 2015.

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5 Estimates

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

6 Debt and Equity Securities

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

7 Dividends

The shareholders at the Annual General Meeting held on 12 May 2015 approved a final dividend of 35% single tier in respect of the financial year ended 31 December 2014 as proposed by the Directors. The final dividend was paid on 25 May 2015.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
3 months ended 31 March 2015			
Revenue from external participants	519,002	43,462	562,464
Profit before zakat and taxation	60,595	1,631	62,226
As at 31 March 2015			
Segment assets by location of assets	7,027,207	469,237	7,496,444
3 months ended 31 March 2014			
Revenue from external participants	397,062	34,962	432,024
Profit before zakat and taxation	44,895	(199)	44,696
As at 31 March 2014			
Segment assets by location of assets	6,619,544	433,422	7,052,966

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9 Investment Properties

The valuation of investment properties has been brought forward without amendment from the annual audited financial statements for the year ended 31 December 2014.

10 Material Events Subsequent to the End of the Period

There is 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 2014.

12 Effect of Changes in Composition of the Company / Group

There is 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

For the 1st quarter ended 31 March 2015, the Group generated Operating Revenue of RM562.5 million compared to RM432.0 million in the corresponding quarter of the preceding year. The increase is mainly attributable to higher sales generated by both Family Takaful and General Takaful business and higher net investment income.

For the quarter under review, General Takaful generated gross earned contributions of RM136.2 million as compared to RM115.4 million in the corresponding quarter of preceding year. The growth was mainly from Fire and Motor class of business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM237.0 million against RM206.9 million for the same period last year, mainly attributable to higher sales from Family Takaful Group Medical and Group Term products.

The surplus transfer in the quarter under review from Family Takaful was RM21.7 million as compared to RM25.4 million in the same period last year. The lower surplus transfer from Family Takaful is mainly due to the shift to wakalah model products.

For the quarter under review, the surplus transfer from General Takaful was RM6.6 million as compared to RM13.3 million in the same period last year. The General Takaful reported lower surplus transfer mainly due to higher claims incurred.

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14 Review of Performance (continued)

For the quarter under review, the Group recorded profit before zakat and taxation of RM62.2 million, increased by 39.1% as compared to RM44.7 million in the same period last year. The higher profit is attributable to higher wakalah fee income and lower expense reserves.

15 Material Changes in the Quarterly Results Compared to the Results of the Preceding Financial Quarter

There were no material changes in the quarterly results as compared to the results of the preceding financial quarter.

16 Current Year Prospects

For the year 2015, Takaful Malaysia will continue its value proposition of rewarding its customers with 15% Cash Back for General Takaful products and establish a strong foothold in the local insurance and takaful arena as the preferred choice for insurance. Through its extensive range of products and services the company continues to be the market leader in the Group Family Takaful business. The successful implementation of core initiatives in Operational Excellence, Technology Driven Capabilities, Product Innovation and Performance Oriented Culture will enable the Company to be ahead of its competitors, increase its overall market shares and continuously improving on shareholder's value.

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

18 Taxation

The effective rate of taxation is higher than the statutory tax rate mainly due to non deductible expenses in accordance with the Income Tax Act 1967.

	3 months ended	
	31.3.2015	31.3.2014
	RM'000	RM'000
Current tax expense:		
- Current financial period	10,421	12,077
Deferred tax benefits:		
- Current financial period	5,332	(2,122)
Total tax expense	<u>15,753</u>	<u>9,955</u>

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18 Taxation (continued)

18.1 Based on recent amendments to Section 60AA of the Income Tax Act 1967 (ITA), the wakalah fee received by Shareholders' fund from Family Business is not subjected to income tax. Accordingly, commission and management expenses incurred by Shareholders' fund in relation to Family Business are disallowed as deductible expenses. The amended Section 60AA of ITA will be effective for year of assessment 2015 onwards.

19 Status of Corporate Proposal

Save as disclosed below, there is no other corporate proposal announced but not completed as at the date of this announcement:

On 10 February 2015, RHB Investment Bank Berhad ("RHB Investment Bank") had, on behalf of the Board of Directors of Takaful Malaysia ("Board"), announced that the Company proposes to undertake the following:

- (i) share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in Takaful Malaysia held by the entitled shareholders of Takaful Malaysia on an entitlement date to be determined later ("Entitlement Date") into five (5) ordinary shares of RM0.20 each in Takaful Malaysia ("Subdivided Share(s)") ("Share Split"); and
- (ii) amendments to the Memorandum and Articles of Association of Takaful Malaysia ("Amendments").

The Share Split and Amendments are collectively referred to as the "Corporate Exercises".

On 5 March 2015, RHB Investment Bank had, on behalf of the Board, announced that Bursa Securities had, vide its letter dated 4 March 2015, approved the Share Split and the listing of and quotation for the Subdivided Shares on the Main Market of Bursa Securities.

On 12 May 2015, the shareholders of Takaful Malaysia approved the Corporate Exercises at the Extraordinary General Meeting of the Company held on even date.

On 13 May 2015, RHB Investment Bank had, on behalf of the Board, announced that the Entitlement Date has been fixed at 5.00 p.m. on 27 May 2015.

Barring any unforeseen circumstances, the Share Split is expected to be completed by the second (2nd) quarter of 2015.

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2015.

21 Material Litigation

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

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22 Earnings per Share

Basic earnings per share (“Basic EPS”)

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

	3 months ended	
	31.3.2015	31.3.2014
Owners of the Company (RM'000)	<u>46,224</u>	<u>35,074</u>
Weighted average number of ordinary shares in issue ('000)	<u>163,006</u>	<u>162,817</u>
Basic EPS (sen)	<u>28.36</u>	<u>21.54</u>

Diluted earnings per share (“Diluted EPS”)

The calculation of diluted earnings per ordinary share at 31 March 2015 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	3 months ended	
	31.3.2015	31.3.2014
Owners of the Company (RM'000)	<u>46,224</u>	<u>35,074</u>
Weighted average number of ordinary shares in issue ('000)	<u>163,006</u>	<u>162,817</u>
Effects of dilution ('000)	<u>846</u>	<u>2,472</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>163,852</u>	<u>165,289</u>
Diluted EPS (sen)	<u>28.21</u>	<u>21.22</u>

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23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	31 March 2015			31 December 2014		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Family Takaful Fund						
Provision for claims reported by participants	40,305	(3,816)	36,489	33,310	(3,352)	29,958
Provision for IBNR	187,222	(52,858)	134,364	169,748	(49,805)	119,943
Provision for outstanding claims	227,527	(56,674)	170,853	203,058	(53,157)	149,901
Actuarial liabilities	4,246,348	(218,993)	4,027,355	4,022,859	(206,644)	3,816,215
Unallocated surplus	675,151	-	675,151	732,842	-	732,842
AFS reserves	(32,435)	-	(32,435)	(61,878)	-	(61,878)
Translation reserves	626	-	626	765	-	765
Net asset value attributable to unitholders	192,689	-	192,689	179,900	-	179,900
Participants' fund	5,082,379	(218,993)	4,863,386	4,874,488	(206,644)	4,667,844
	5,309,906	(275,667)	5,034,239	5,077,546	(259,801)	4,817,745

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23 Takaful Contract Liabilities (continued)

	31 March 2015			31 December 2014		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
General Takaful Fund						
Provision for claims reported by participants	411,994	(302,357)	109,637	375,636	(259,623)	116,013
Provision for IBNR	225,952	(94,276)	131,676	229,797	(93,087)	136,710
Provision for outstanding claims	637,946	(396,633)	241,313	605,433	(352,710)	252,723
Provision for unearned contributions	293,791	(65,643)	228,148	290,899	(69,949)	220,950
	931,737	(462,276)	469,461	896,332	(422,659)	473,673
Unallocated surplus	207,603	-	207,603	213,256	-	213,256
AFS reserves	(2,544)	-	(2,544)	(6,357)	-	(6,357)
Translation reserves	324	-	324	234	-	234
Participants' fund	205,383	-	205,383	207,133	-	207,133
	1,137,120	(462,276)	674,844	1,103,465	(422,659)	680,806

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23 Takaful Contract Liabilities (continued)

	31 March 2015			31 December 2014		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Group						
Provision for claims reported by participants	452,299	(306,173)	146,126	408,946	(262,975)	145,971
Provision for IBNR	413,174	(147,134)	266,040	399,545	(142,892)	256,653
Provision for outstanding claims	865,473	(453,307)	412,166	808,491	(405,867)	402,624
Provision for unearned contributions	293,791	(65,643)	228,148	290,899	(69,949)	220,950
	<u>1,159,264</u>	<u>(518,950)</u>	<u>640,314</u>	<u>1,099,390</u>	<u>(475,816)</u>	<u>623,574</u>
Actuarial liabilities	4,246,348	(218,993)	4,027,355	4,022,859	(206,644)	3,816,215
Unallocated surplus	882,754	-	882,754	946,098	-	946,098
AFS reserves	(34,979)	-	(34,979)	(68,235)	-	(68,235)
Translation reserves	950	-	950	999	-	999
Net asset value attributable to unitholders	153,597	-	153,597	142,100	-	142,100
Participants' fund	<u>5,248,670</u>	<u>(218,993)</u>	<u>5,029,677</u>	<u>5,043,821</u>	<u>(206,644)</u>	<u>4,837,177</u>
	<u>6,407,934</u>	<u>(737,943)</u>	<u>5,669,991</u>	<u>6,143,211</u>	<u>(682,460)</u>	<u>5,460,751</u>

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23 Takaful Contract Liabilities (continued)

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

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2014	4,554,923	(148,340)	4,406,583	219,124	-	219,124	4,735,952	(148,340)	4,587,612
Net earned contributions	958,130	(65,737)	892,393	276,984	-	276,984	1,235,114	(65,737)	1,169,377
Investment income	191,950	-	191,950	29,164	-	29,164	221,114	-	221,114
Realised gains and (losses)	37,490	-	37,490	4,519	-	4,519	42,009	-	42,009
Fair value gains and (losses)	12,894	-	12,894	(23)	-	(23)	12,871	-	12,871
Other operating income	3,277	-	3,277	3,263	-	3,263	6,540	-	6,540
Net benefits and claims	(607,136)	69,152	(537,984)	(89,213)	-	(89,213)	(696,349)	69,152	(627,197)
Fees deducted (net)	(192,999)	-	(192,999)	(128,368)	-	(128,368)	(321,367)	-	(321,367)
Other operating expenses	(15,567)	-	(15,567)	(9,058)	-	(9,058)	(24,625)	-	(24,625)
Profit paid to participants	(552)	-	(552)	(29,877)	-	(29,877)	(30,429)	-	(30,429)
Reversal of excess payment transferred to participants	(1,239)	-	(1,239)	-	-	-	(1,239)	-	(1,239)
Increase in actuarial liabilities	58,295	(58,016)	279	-	-	-	58,295	(58,016)	279
Profit attributable to the Takaful Operator	(67,443)	(3,414)	(70,857)	(59,186)	-	(59,186)	(126,334)	(3,414)	(129,748)
Change in AFS reserve	(59,701)	-	(59,701)	(9,912)	-	(9,912)	(69,613)	-	(69,613)
Withholding tax	(10,655)	-	(10,655)	(626)	-	(626)	(11,281)	-	(11,281)
Effect of movement in exchange rates	12,821	(289)	12,532	342	-	342	13,163	(289)	12,874
At 31 December 2014	4,874,488	(206,644)	4,667,844	207,133	-	207,133	5,043,821	(206,644)	4,837,177

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23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2015	4,874,488	(206,644)	4,667,844	207,133	-	207,133	5,043,821	(206,644)	4,837,177
Net earned contributions	237,018	(15,144)	221,874	78,705	-	78,705	315,723	(15,144)	300,579
Investment income	49,584	-	49,584	7,091	-	7,091	56,675	-	56,675
Realised gains and (losses)	20,329	-	20,329	2,462	-	2,462	22,791	-	22,791
Fair value gains and (losses)	10,288	-	10,288	-	-	-	10,288	-	10,288
Other operating income	825	-	825	(675)	-	(675)	150	-	150
Net benefits and claims	(181,536)	21,294	(160,242)	(28,628)	-	(28,628)	(210,164)	21,294	(188,870)
Fees deducted (net)	(69,685)	-	(69,685)	(46,336)	-	(46,336)	(116,021)	-	(116,021)
Other operating expenses	(3,182)	-	(3,182)	(14)	-	(14)	(3,196)	-	(3,196)
Profit paid to participants	(730)	-	(730)	(11,169)	-	(11,169)	(11,899)	-	(11,899)
Reversal of excess payment transferred to participants	(43)	-	(43)	-	-	-	(43)	-	(43)
Increase in actuarial liabilities	136,873	(12,271)	124,602	-	-	-	136,873	(12,271)	124,602
Profit attributable to the Takaful Operator	(15,592)	(6,150)	(21,742)	(6,619)	-	(6,619)	(23,503)	(6,150)	(29,653)
Change in AFS reserve	29,443	-	29,443	3,812	-	3,812	33,255	-	33,255
Withholding tax	(9,166)	-	(9,166)	(470)	-	(470)	(9,636)	-	(9,636)
Effect of movement in exchange rates	3,465	(78)	3,387	91	-	91	3,556	(78)	3,478
At 31 March 2015	5,082,379	(218,993)	4,863,386	205,383	-	205,383	5,248,670	(218,993)	5,029,677

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24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator	
	3 months ended	
	31.3.2015	31.3.2014
	RM'000	RM'000
Surplus transfer from:		
Family Takaful Fund	21,730	25,364
General Takaful Fund	6,597	13,277
Wakalah fee income	128,241	100,882
Total Takaful Operator income	<u>156,568</u>	<u>139,523</u>

25 Investment Income

The investment income consists of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	3 months ended		3 months ended		3 months ended		3 months ended	
	31.3.2015	31.3.2014	31.3.2015	31.3.2014	31.3.2015	31.3.2014	31.3.2015	31.3.2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	158	106	2,394	1,191	204	125	1,262	19
Dividend income	846	1,125	4,536	5,612	760	1,038	6,142	7,775
Profit income	5,756	5,545	44,193	37,104	6,514	6,131	56,463	48,780
Accretion / (Amortisation)	(292)	(287)	(1,029)	(884)	(378)	(355)	(1,699)	(1,526)
Investment expenses	(122)	(202)	(510)	(345)	(9)	(70)	(348)	(144)
	<u>6,346</u>	<u>6,287</u>	<u>49,584</u>	<u>42,678</u>	<u>7,091</u>	<u>6,869</u>	<u>61,820</u>	<u>54,904</u>

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26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Service charged and management fee	2,415	1,664	-	-	-	-	476	329
Writeback of allowance for impaired debts	-	-	-	-	-	500	-	500
Writeback of allowance for impaired financing	310	-	-	-	-	-	310	-
Writeback of allowance for Impaired wakalah fee receivables	159	-	-	-	-	-	159	-
Other income	488	543	825	827	862	-	2,175	1,370
	<u>3,372</u>	<u>2,207</u>	<u>825</u>	<u>827</u>	<u>862</u>	<u>500</u>	<u>3,120</u>	<u>2,199</u>

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27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000	31.3.2015 RM'000	31.3.2014 RM'000
Depreciation	(2,350)	(2,014)	-	-	-	-	(3,494)	(3,096)
Impairment losses	-	(1,350)	(637)	(8,709)	-	(1,870)	(637)	(11,929)
Loss from foreign exchange	-	-	-	-	(12)	(10)	(12)	(10)
Loss on disposal of assets	(15)	-	-	-	-	-	(15)	-
Commission expenses /								
Administration fees	(40,866)	(30,915)	(25)	(160)	-	(33)	(40,891)	(31,045)
Agency related expenses	(1,773)	(1,169)	-	-	-	-	(1,773)	(1,169)
Allowance for impaired debts	-	-	(687)	(3,311)	(1,357)	-	(2,044)	(3,311)
Allowance for								
impaired financing	(235)	-	-	-	-	-	(235)	-
Debts written off	-	-	(495)	-	-	-	(495)	-
Other expenses	(439)	(14)	(1,363)	(482)	(182)	(298)	(1,673)	(772)
	<u>(45,678)</u>	<u>(35,462)</u>	<u>(3,207)</u>	<u>(12,662)</u>	<u>(1,551)</u>	<u>(2,211)</u>	<u>(51,269)</u>	<u>(51,332)</u>

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28 Fair Value Information

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 March 2015										
Takaful Operator										
Financial assets										
Equity securities	78,328	-	-	78,328	-	-	-	-	78,328	78,328
Unit trusts	27,132	14,469	-	41,601	-	-	-	-	41,601	41,601
Institutional Trust Account	-	-	38,714	38,714	-	-	-	-	38,714	38,714
Islamic debt securities	3,948	269,417	-	273,365	2,116	-	-	2,116	275,481	275,637
Investment in linked funds	39,092	-	-	39,092	-	-	-	-	39,092	39,092
	148,500	283,886	38,714	471,100	2,116	-	-	2,116	473,216	473,372
Family Takaful										
Financial assets										
Equity securities	641,886	-	-	641,886	-	-	-	-	641,886	641,886
Unit trusts	154,028	61,750	-	215,778	-	-	-	-	215,778	215,778
Institutional Trust Account	-	-	82,083	82,083	-	-	-	-	82,083	82,083
Islamic debt securities	89,580	1,868,826	-	1,958,406	17,031	320,154	-	337,185	2,295,591	2,289,954
Malaysian Government Islamic papers	-	194,930	-	194,930	-	113,641	-	113,641	308,571	307,562
	885,494	2,125,506	82,083	3,093,083	17,031	433,795	-	450,826	3,543,909	3,537,263

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QUARTER ENDED 31 MARCH 2015

28 Fair Value Information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 March 2015										
General Takaful										
Equity securities	78,264	-	-	78,264	-	-	-	-	78,264	78,264
Unit trusts	22,031	2,579	-	24,610	-	-	-	-	24,610	24,610
Institutional Trust Account	-	-	26,475	26,475	-	-	-	-	26,475	26,475
Islamic debt securities	-	341,370	-	341,370	3,593	5,000	-	8,593	349,963	350,061
Malaysian Government Islamic papers	-	-	-	-	-	32,871	-	32,871	32,871	32,613
	100,295	343,949	26,475	470,719	3,593	37,871	-	41,464	512,183	512,023
Group										
Financial assets										
Equity securities	798,478	-	-	798,478	-	-	-	-	798,478	798,478
Unit trusts	203,191	78,798	-	281,989	-	-	-	-	281,989	281,989
Institutional Trust Account	-	-	147,272	147,272	-	-	-	-	147,272	147,272
Islamic debt securities	93,528	2,479,613	-	2,573,141	22,740	325,154	-	347,894	2,921,035	2,915,652
Malaysian Government Islamic papers	-	194,930	-	194,930	-	146,512	-	146,512	341,442	340,175
	1,095,197	2,753,341	147,272	3,995,810	22,740	471,666	-	494,406	4,490,216	4,483,566

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
QUARTER ENDED 31 MARCH 2015

28 Fair Value Information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 December 2014										
Takaful Operator										
Financial assets										
Equity securities	51,015	-	-	51,015	-	-	-	-	51,015	51,015
Unit trusts	26,237	14,292	-	40,529	-	-	-	-	40,529	40,529
Institutional Trust Account	-	-	38,259	38,259	-	-	-	-	38,259	38,259
Islamic debt securities	3,823	257,861	-	261,684	2,093	-	-	2,093	263,777	263,931
Investment in linked funds	37,800	-	-	37,800	-	-	-	-	37,800	37,800
	118,875	272,153	38,259	429,287	2,093	-	-	2,093	431,380	431,534
Family Takaful										
Financial assets										
Equity securities	431,351	-	-	431,351	-	-	-	-	431,351	431,351
Unit trusts	161,543	66,087	-	227,630	-	-	-	-	227,630	227,630
Institutional Trust Account	-	-	84,900	84,900	-	-	-	-	84,900	84,900
Islamic debt securities	98,983	1,867,807	-	1,966,790	15,441	316,651	-	332,092	2,298,882	2,297,121
Malaysian Government Islamic papers	-	236,397	-	236,397	-	112,582	-	112,582	348,979	349,047
	691,877	2,170,291	84,900	2,947,068	15,441	429,233	-	444,674	3,391,742	3,390,049

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28 Fair Value Information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
31 December 2014										
General Takaful										
Equity securities	53,624	-	-	53,624	-	-	-	-	53,624	53,624
Unit trusts	21,535	2,523	-	24,058	-	-	-	-	24,058	24,058
Institutional Trust Account	-	-	26,154	26,154	-	-	-	-	26,154	26,154
Islamic debt securities	-	344,344	-	344,344	3,555	5,000	-	8,555	352,899	352,997
Malaysian Government Islamic papers	-	5,069	-	5,069	-	32,663	-	32,663	37,732	37,695
	75,159	351,936	26,154	453,249	3,555	37,663	-	41,218	494,467	494,528
Group										
Financial assets										
Equity securities	535,990	-	-	535,990	-	-	-	-	535,990	535,990
Unit trusts	209,315	82,902	-	292,217	-	-	-	-	292,217	292,217
Institutional Trust Account	-	-	149,313	149,313	-	-	-	-	149,313	149,313
Islamic debt securities	102,806	2,470,012	-	2,572,818	21,089	321,651	-	342,740	2,915,558	2,914,049
Malaysian Government Islamic papers	-	241,466	-	241,466	-	145,245	-	145,245	386,711	386,742
	848,111	2,794,380	149,313	3,791,804	21,089	466,896	-	487,985	4,279,789	4,278,311

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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 31 MARCH 2015

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.

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 BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2015

28 Fair Value Information (continued)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities. The following table shows a reconciliation of Level 3 fair values:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Available-for-sale financial assets				
At 1 January 2014	64,268 (28,236)	196,482 (117,624)	38,147 (13,614)	298,897 (159,474)
Gains and losses recognised in profit or loss				
Investment income - realised	2,227	6,042	1,621	9,890
At 31 December 2014 / 1 January 2015	38,259	84,900	26,154	149,313
Maturities	-	(3,802)	-	(3,802)
Gains and losses recognised in profit or loss				
Investment income - realised	455	985	321	1,761
At 31 March 2015	<u>38,714</u>	<u>82,083</u>	<u>26,475</u>	<u>147,272</u>

29 Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items

Disclosure of interest expense, provision for and write off of inventories, gain or loss on derivatives and exceptional items are not applicable to the Group and the Company.

30 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 BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

QUARTER ENDED 31 MARCH 2015

30 Regulatory capital requirements (continued)

The capital structure of the Company as at 31 March 2015, as prescribed under the RBCT Framework is provided below:

	As at 31.3.2015 RM'000	As at 31.12.2014 RM'000
Tier 1 capital	1,146,757	1,035,554
Tier 2 capital	25,485	3,294
Deductions	(92,770)	(93,704)
Total capital available	1,079,472	945,144

31 Supplementary Financial Information on the Breakdown of Realised and Unrealised Profits

The breakdown of the retained profits of the Group and of the Company as at 31 March 2015, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	As at 31.3.2015 RM'000	As at 31.12.2014 RM'000
Total retained profits of the Group		
Realised	388,006	336,892
Unrealised	35,899	41,231
	423,905	384,123
Total share of retained profits of associates:		
Realised	-	-
Unrealised	-	-
	423,905	384,123
Add: Consolidation adjustments	32,097	31,655
Total retained profits as per statements of financial position	456,002	409,778

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to the Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

By Order of the Board

MOHAMAD ASRI BIN YUSOFF
Company Secretary (MIA 14171)
Kuala Lumpur, 25 May 2015