

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

### **QUARTER ENDED 30 JUNE 2016**

#### **1 Basis of Preparation**

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

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 30 June 2016. 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 2015. 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 2015.

#### **2 Auditors’ Report**

The auditors’ report on the audited financial statements of the preceding year ended 31 December 2015 did not contain any qualification.

#### **3 Seasonality of Operations**

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

#### **4 Unusual Items**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 30 June 2016.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 JUNE 2016

#### 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

On 1 April 2016, the Company allotted and issued 4,339,855 new ordinary shares of RM0.20 each pursuant to the Long-Term Incentive Plan ("LTIP").

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

#### 7 Dividends

The Directors on 8 January 2016 declared an interim single tier dividend of 7.35 sen per ordinary share of RM0.20 each in respect of the financial year ended 31 December 2015 and the dividend was paid on 17 February 2016.

No dividend was declared for the current quarter under review.

#### 8 Segmental Reporting

##### Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
<b>6 months ended 30 June 2016</b>			
Revenue from external participants	1,009,545	85,916	1,095,461
Profit before zakat and taxation	115,506	778	116,284
<b>As at 30 June 2016</b>			
Segment assets by location of assets	7,075,155	539,396	7,614,551
<b>6 months ended 30 June 2015</b>			
Revenue from external participants	915,842	80,149	995,991
Profit before zakat and taxation	112,113	(84)	112,029
<b>As at 30 June 2015</b>			
Segment assets by location of assets	6,985,058	456,041	7,441,099

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 JUNE 2016

#### **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 2015.

#### **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 2015.

#### **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 2<sup>nd</sup> quarter ended 30 June 2016, the Group generated Operating Revenue of RM462.2 million as compared to RM433.5 million in the corresponding quarter of the preceding year. The half year Operating Revenue increased by 10.0% to RM1,095.5 million from RM996.0 million in the same period of the preceding year. The increase is mainly attributable to higher sales generated by both Family Takaful and General Takaful business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM310.9 million as compared to RM287.3 million in the same period last year. For the 6 months period, Family Takaful generated gross earned contributions of RM599.6 million as compared to RM524.3 million in the corresponding period last year. The increase is mainly attributable to higher sales from Family Takaful Group Medical and Family Takaful mortgage related products.

For the quarter under review, General Takaful generated gross earned contributions of RM119.4 million as compared to RM112.6 million in the corresponding quarter of preceding year. For the 6 months period, General Takaful recorded gross earned contributions of RM257.5 million as compared to RM248.8 million in the corresponding period last year. The growth was mainly from Fire and commercial classes.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 JUNE 2016

#### **14 Review of Performance (continued)**

The surplus transfer in the quarter under review from Family Takaful was RM20.6 million as compared to RM18.0 million in the same period last year. For the 6 months period, the surplus transfer from Family Takaful decreased by RM5.2 million to RM34.6 million as compared to RM39.8 million in the same period last year. The lower surplus transfer from Family Takaful is mainly due to lower realized gains on disposal of investments.

For the quarter under review, the surplus transfer from General Takaful was RM4.6 million as compared to RM9.5 million in the same period last year. For the 6 months period, General Takaful recorded RM10.3 million as compared to RM16.1 million last year. The General Takaful reported lower surplus transfer mainly due to higher claims and realized losses on disposal of investments.

For the quarter under review, the Group recorded profit after zakat and taxation of RM45.4 million, increased by 16.4% as compared to RM39.0 million in the same period last year, mainly attributable to higher wakalah fee income. For the 6 months period, the Group recorded profit before zakat and taxation of RM91.7 million, increased by 7.5% as compared to RM85.3 million in the same period last year. The higher profit is attributable to higher wakalah fee income.

#### **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 2016, 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 shareholders' 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.

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 JUNE 2016

#### 18 Taxation

The effective rate of taxation is lower than the statutory tax rate mainly due to non taxable income in accordance with the Income Tax Act 1967.

	3 months ended		Cumulative 6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Current tax expense:				
- Current financial period	9,790	9,537	24,248	19,958
Deferred tax benefits:				
- Current financial period	2,778	1,052	(99)	6,384
Total tax expense	<u>12,568</u>	<u>10,589</u>	<u>24,149</u>	<u>26,342</u>

#### 19 Status of Corporate Proposal

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

#### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 June 2016.

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

		3 months ended		Cumulative 6 months ended	
		30.6.2016	30.6.2015	30.6.2016	30.6.2015
Owners of the Company (RM'000)		<u>45,533</u>	<u>38,949</u>	<u>92,156</u>	<u>85,173</u>
Weighted average number of ordinary shares in issue	('000)	<u>819,890</u>	<u>815,032</u>	<u>817,863</u>	<u>815,032</u>
Basic EPS	(sen)	<u>5.55</u>	<u>4.78</u>	<u>11.27</u>	<u>10.45</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

### 22 Earnings per Share (continued)

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

The calculation of diluted earnings per ordinary share at 30 June 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		Cumulative 6 months ended	
		30.6.2016	30.6.2015	30.6.2016	30.6.2015
Owners of the Company (RM'000)		45,533	38,949	92,156	85,173
Weighted average number of ordinary shares in issue	('000)	819,890	815,032	817,863	815,032
Effects of dilution	('000)	3,219	4,744	3,219	4,744
Diluted weighted average number of ordinary shares in issue	('000)	823,109	819,776	821,082	819,776
<b>Diluted EPS</b>	(sen)	5.53	4.75	11.22	10.39

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 June 2016			31 December 2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Family Takaful Fund</b>						
Provision for claims reported by participants	35,896	(6,157)	29,739	25,268	(4,104)	21,164
Provision for IBNR	163,255	(21,069)	142,186	157,702	(33,224)	124,478
Provision for outstanding claims	199,151	(27,226)	171,925	182,970	(37,328)	145,642
Actuarial liabilities	4,379,673	(140,721)	4,238,952	4,222,570	(242,477)	3,980,093
Unallocated surplus	668,715	-	668,715	791,232	-	791,232
AFS reserves	(24,658)	-	(24,658)	(62,755)	-	(62,755)
Translation reserves	(911)	-	(911)	(1,553)	-	(1,553)
Net asset value attributable to unitholders	228,029	-	228,029	208,145	-	208,145
Participants' fund	5,250,848	(140,721)	5,110,127	5,157,639	(242,477)	4,915,162
	5,449,999	(167,947)	5,282,052	5,340,609	(279,805)	5,060,804

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2016**

**23 Takaful Contract Liabilities (continued)**

	30 June 2016			31 December 2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>General Takaful Fund</b>						
Provision for claims reported by participants	274,748	(190,347)	84,401	368,437	(273,667)	94,770
Provision for IBNR	192,289	(87,587)	104,702	189,662	(93,210)	96,452
Provision for outstanding claims	467,037	(277,934)	189,103	558,099	(366,877)	191,222
Provision for unearned contributions	312,018	(54,561)	257,457	297,773	(55,893)	241,880
	779,055	(332,495)	446,560	855,872	(422,770)	433,102
Unallocated surplus	239,694	-	239,694	233,368	-	233,368
AFS reserves	(4,492)	-	(4,492)	(8,923)	-	(8,923)
Translation reserves	1,135	-	1,135	1,391	-	1,391
Participants' fund	236,337	-	236,337	225,836	-	225,836
	1,015,392	(332,495)	682,897	1,081,708	(422,770)	658,938



# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

### 23 Takaful Contract Liabilities (continued)

	30 June 2016			31 December 2015		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>Group</b>						
Provision for claims reported by participants	310,644	(196,504)	114,140	393,705	(277,771)	115,934
Provision for IBNR	355,544	(108,656)	246,888	347,364	(126,434)	220,930
Provision for outstanding claims	666,188	(305,160)	361,028	741,069	(404,205)	336,864
Provision for unearned contributions	312,018	(54,561)	257,457	297,773	(55,893)	241,880
	978,206	(359,721)	618,485	1,038,842	(460,098)	578,744
Actuarial liabilities	4,379,673	(140,721)	4,238,952	4,222,570	(242,477)	3,980,093
Unallocated surplus	908,409	-	908,409	1,024,600	-	1,024,600
AFS reserves	(29,150)	-	(29,150)	(71,678)	-	(71,678)
Translation reserves	224	-	224	(162)	-	(162)
Net asset value attributable to unitholders	190,790	-	190,790	170,115	-	170,115
Participants' fund	5,449,946	(140,721)	5,309,225	5,345,445	(242,477)	5,102,968
	6,428,152	(500,442)	5,927,710	6,384,287	(702,575)	5,681,712

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

#### 23 Takaful Contract Liabilities (continued)

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

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>At 1 January 2015</b>	4,874,488	(206,644)	4,667,844	207,133	-	207,133	5,043,821	(206,644)	4,837,177
Net earned contributions	1,048,244	(61,312)	986,932	269,196	-	269,196	1,317,440	(61,312)	1,256,128
Investment income	215,276	-	215,276	29,031	-	29,031	244,307	-	244,307
Realised gains and (losses)	17,819	-	17,819	555	-	555	18,374	-	18,374
Fair value gains and (losses)	(2,334)	-	(2,334)	330	-	330	(2,004)	-	(2,004)
Other operating income	2,859	-	2,859	8,243	-	8,243	11,102	-	11,102
Net benefits and claims	(678,244)	52,183	(626,061)	(63,937)	-	(63,937)	(742,181)	52,183	(689,998)
Fees deducted (net)	(225,047)	-	(225,047)	(154,104)	-	(154,104)	(379,151)	-	(379,151)
Other operating expenses	(52,265)	-	(52,265)	(6,027)	-	(6,027)	(58,292)	-	(58,292)
Profit paid to participants	(1,678)	-	(1,678)	(22,244)	-	(22,244)	(23,922)	-	(23,922)
Reversal of excess payment transferred to participants	(846)	-	(846)	-	-	-	(845)	-	(845)
Increase in actuarial liabilities	31,079	(34,959)	(3,880)	-	-	-	31,079	(34,959)	(3,880)
Profit attributable to the Takaful Operator	(97,506)	9,129	(88,377)	(40,464)	-	(40,464)	(138,200)	9,129	(129,071)
Change in AFS reserve	(877)	-	(877)	(2,567)	-	(2,567)	(3,444)	-	(3,444)
Withholding tax	(9,166)	-	(9,166)	(470)	-	(470)	(9,636)	-	(9,636)
Effect of movement in exchange rates	35,837	(874)	34,963	1,160	-	1,160	36,997	(874)	36,123
<b>At 31 December 2015</b>	<b>5,157,639</b>	<b>(242,477)</b>	<b>4,915,162</b>	<b>255,836</b>	<b>-</b>	<b>255,836</b>	<b>5,345,445</b>	<b>(242,477)</b>	<b>5,102,968</b>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

### 23 Takaful Contract Liabilities (continued)

	Family Takaful Fund			General Takaful Fund			Group		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
<b>At 1 January 2016</b>	5,157,639	(242,477)	4,915,162	225,836	-	225,836	5,345,445	(242,477)	5,102,968
Net earned contributions	599,646	(20,764)	578,882	161,286	-	161,286	760,932	(20,764)	740,168
Investment income	107,382	-	107,382	14,410	-	14,410	121,792	-	121,792
Realised gains and (losses)	2,222	-	2,222	(840)	-	(840)	1,382	-	1,382
Fair value gains and (losses)	10,378	-	10,378	-	-	-	10,378	-	10,378
Other operating income	1,513	-	1,513	40	-	40	1,553	-	1,553
Net benefits and claims	(425,639)	28,459	(397,180)	(63,278)	-	(63,278)	(488,917)	28,459	(460,458)
Fees deducted (net)	(177,068)	-	(177,068)	(91,826)	-	(91,826)	(268,894)	-	(268,894)
Other operating expenses	(7,352)	-	(7,352)	(896)	-	(896)	(8,248)	-	(8,248)
Profit paid to participants	(1,002)	-	(1,002)	(1,558)	-	(1,558)	(2,560)	-	(2,560)
Reversal of excess payment transferred to participants	(346)	-	(346)	-	-	-	(346)	-	(346)
Increase in actuarial liabilities	(11,814)	101,580	89,766	-	-	-	(11,814)	101,580	89,766
Profit attributable to the Takaful Operator	(26,948)	(7,695)	(34,643)	(10,290)	-	(10,290)	(36,447)	(7,695)	(44,142)
Change in AFS reserve	38,097	-	38,097	4,431	-	4,431	42,528	-	42,528
Withholding tax	(8,828)	-	(8,828)	(721)	-	(721)	(9,549)	-	(9,549)
Effect of movement in exchange rates	(7,032)	176	(6,856)	(257)	-	(257)	(7,289)	176	(7,113)
<b>At 30 June 2016</b>	<b>5,250,848</b>	<b>(140,721)</b>	<b>5,110,127</b>	<b>236,337</b>	<b>-</b>	<b>236,337</b>	<b>5,449,946</b>	<b>(140,721)</b>	<b>5,309,225</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator 3 months ended		Cumulative 6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Surplus transfer from:				
Family Takaful Fund	20,562	18,031	34,643	39,761
General Takaful Fund	4,572	9,466	10,290	16,063
Wakalah fee income	129,446	94,334	294,254	222,575
Total Takaful Operator income	<u>154,580</u>	<u>121,831</u>	<u>339,187</u>	<u>278,399</u>

#### 25 Investment Income

The investment income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Rental income	180	183	2,314	2,457	214	186	1,555	1,335
Dividend income	968	1,636	4,897	8,769	605	1,272	6,470	11,677
Profit income	6,767	5,945	49,533	44,647	6,968	6,173	63,268	56,765
Accretion / (Amortisation)	(253)	(261)	(1,240)	(1,059)	(292)	(371)	(1,785)	(1,691)
Investment expenses	(13)	(12)	(578)	(514)	(5)	(11)	(277)	(232)
	<u>7,649</u>	<u>7,491</u>	<u>54,926</u>	<u>54,300</u>	<u>7,490</u>	<u>7,249</u>	<u>69,231</u>	<u>67,854</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

#### 25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Rental income	326	341	4,681	4,851	418	390	2,384	2,597
Dividend income	1,263	2,482	7,973	13,305	926	2,032	10,162	17,819
Profit income	13,012	11,701	98,152	88,840	13,717	12,687	124,881	113,228
Accretion / (Amortisation)	(498)	(553)	(2,368)	(2,088)	(638)	(749)	(3,504)	(3,390)
Investment expenses	(20)	(134)	(1,056)	(1,024)	(13)	(20)	(454)	(580)
	<u>14,083</u>	<u>13,837</u>	<u>107,382</u>	<u>103,884</u>	<u>14,410</u>	<u>14,340</u>	<u>133,469</u>	<u>129,674</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

#### 26 Other Operating Income

The other operating income consists of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Service charged and management fee	2,570	2,586	-	-	-	-	-	460
Gain on foreign exchange	153	-	-	52	-	9	153	61
Writeback of allowance for impaired financing	-	2	-	-	-	-	-	-
Writeback of allowance for impaired debts	-	-	2,539	571	1,371	-	3,910	-
Writeback of allowance for impaired wakalah fee	-	61	-	-	-	-	-	61
Gain on disposal of assets	15	91	-	-	-	-	15	91
Other income	-	362	-	1,260	30	-	-	698
	<u>2,738</u>	<u>3,102</u>	<u>2,539</u>	<u>1,883</u>	<u>1,401</u>	<u>9</u>	<u>4,078</u>	<u>1,373</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

#### 26 Other Operating Income (continued)

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

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Service charged and management fee	4,863	5,001	-	-	-	-	-	936
Gain on foreign exchange	189	-	-	52	-	-	189	52
Writeback of allowance for impaired financing	19	312	-	-	-	-	19	312
Writeback of allowance for impaired debts	-	-	-	-	14	-	14	-
Writeback of allowance for Impaired wakalah fee receivables	-	220	-	-	-	-	-	220
Gain on disposal of assets	32	76	-	-	-	-	32	76
Other income	104	850	1,513	2,085	26	479	1,643	2,873
	<u>5,207</u>	<u>6,459</u>	<u>1,513</u>	<u>2,137</u>	<u>40</u>	<u>479</u>	<u>1,897</u>	<u>4,469</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

#### 27 Other Operating Expenses

The other operating expenses consist of the following:

	Takaful Operator 3 months ended		Family Takaful Fund 3 months ended		General Takaful Fund 3 months ended		Group 3 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Depreciation	(2,715)	(2,647)	-	-	-	-	(4,137)	(3,784)
Impairment losses	(426)	(475)	(3,249)	(3,312)	(452)	(610)	(4,127)	(4,397)
Loss from foreign exchange	-	-	-	-	(146)	-	(146)	-
Administration fees	(34,883)	(32,251)	-	25	-	-	(34,873)	(32,226)
Agency related expenses	(2,030)	(1,696)	-	-	-	-	(2,030)	(1,696)
Allowance for impaired debts	-	-	-	-	-	(2,556)	-	(1,985)
Allowance for impaired financing	-	-	-	-	-	-	-	-
Debts written off	-	-	(83)	(19)	-	-	(83)	(19)
Other expenses	(226)	(404)	(1,132)	(2,124)	(45)	(421)	(878)	(2,187)
	<u>(40,280)</u>	<u>(37,473)</u>	<u>(4,464)</u>	<u>(5,430)</u>	<u>(643)</u>	<u>(3,587)</u>	<u>(46,274)</u>	<u>(46,294)</u>



# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

### 27 Other Operating Expenses (continued)

The other operating expenses consist of the following:

	Takaful Operator 6 months ended		Family Takaful Fund 6 months ended		General Takaful Fund 6 months ended		Group 6 months ended	
	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000	30.6.2016 RM'000	30.6.2015 RM'000
Depreciation	(5,464)	(4,997)	-	-	-	-	(8,311)	(7,278)
Impairment losses	(1,854)	(475)	(4,008)	(3,949)	(562)	(610)	(6,424)	(5,034)
Loss from foreign exchange	-	-	-	-	(146)	(3)	(146)	(3)
Loss from disposal of assets	-	-	-	-	-	-	-	-
Administration fees	(83,884)	(73,117)	-	-	-	-	(83,884)	(73,117)
Agency related expenses	(2,752)	(3,469)	-	-	-	-	(2,752)	(3,469)
Allowance for impaired debts	-	-	(1,297)	(116)	-	(3,913)	(1,297)	(4,029)
Allowance of impaired financing	-	(235)	-	-	-	-	-	(235)
Debts written off	-	-	(299)	(514)	-	-	(299)	(514)
Other expenses	(312)	(843)	(1,748)	(3,487)	(188)	(220)	(1,240)	(3,860)
	<u>(94,266)</u>	<u>(83,136)</u>	<u>(7,352)</u>	<u>(8,066)</u>	<u>(896)</u>	<u>(4,746)</u>	<u>(104,353)</u>	<u>(97,539)</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 JUNE 2016

### 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		
<b>30 June 2016</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	54,819	-	-	54,819	-	-	-	-	54,819	54,819
Unit trusts	25,378	19,789	-	45,167	-	-	-	-	45,167	45,167
Institutional Trust Account	-	-	21,936	21,936	-	-	-	-	21,936	21,936
Islamic debt securities	3,605	289,913	-	293,518	1,907	-	-	1,907	295,425	295,654
Investment in linked funds	37,239	-	-	37,239	-	-	-	-	37,239	37,239
	121,041	309,702	21,936	452,679	1,907	-	-	1,907	454,586	454,815
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	547,775	-	-	547,775	-	-	-	-	547,775	547,775
Unit trusts	154,079	58,026	-	212,105	-	-	-	-	212,105	212,105
Institutional Trust Account	-	-	106,212	106,212	-	-	-	-	106,212	106,212
Islamic debt securities	76,209	2,138,986	-	2,215,195	53,579	378,084	-	431,663	2,646,858	2,640,349
Malaysian Government Islamic papers	-	161,364	-	161,364	-	113,879	-	113,879	275,243	273,906
	778,063	2,358,376	106,212	3,242,651	53,579	491,963	-	545,542	3,788,193	3,780,347

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2016**

**28 Fair Value Information (continued)**

30 June 2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>General Takaful</b>										
Equity securities	51,965	-	-	51,965	-	-	-	-	51,965	51,965
Unit trusts	19,054	2,579	-	21,633	-	-	-	-	21,633	21,633
Institutional Trust Account	-	-	28,098	28,098	-	-	-	-	28,098	28,098
Islamic debt securities	-	323,199	-	323,199	4,482	5,000	-	9,482	332,681	333,079
Malaysian Government Islamic papers	-	-	-	-	-	32,848	-	32,848	32,848	32,550
	71,019	325,778	28,098	424,895	4,482	37,848	-	42,330	467,225	467,325
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	654,559	-	-	654,559	-	-	-	-	654,559	654,559
Unit trusts	198,511	80,394	-	278,905	-	-	-	-	278,905	278,905
Institutional Trust Account	-	-	156,246	156,246	-	-	-	-	156,246	156,246
Islamic debt securities	79,814	2,752,098	-	2,831,912	59,968	383,084	-	443,052	3,274,964	3,269,082
Malaysian Government Islamic papers	-	161,364	-	161,364	-	146,727	-	146,727	308,091	306,456
	932,884	2,993,856	156,246	4,082,986	59,968	529,811	-	589,779	4,672,765	4,665,248

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2016**

**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		
<b>31 December 2015</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	72,128	-	-	72,128	-	-	-	-	72,128	72,128
Unit trusts	26,416	18,359	-	44,775	-	-	-	-	44,775	44,775
Institutional Trust Account	-	-	21,411	21,411	-	-	-	-	21,411	21,411
Islamic debt securities	3,809	274,848	-	278,657	1,945	-	-	1,945	280,602	280,833
Investment in linked funds	38,030	-	-	38,030	-	-	-	-	38,030	38,030
	140,383	293,207	21,411	455,001	1,945	-	-	1,945	456,946	457,177
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	613,698	-	-	613,698	-	-	-	-	613,698	613,698
Unit trusts	159,036	60,869	-	219,905	-	-	-	-	219,905	219,905
Institutional Trust Account	-	-	103,801	103,801	-	-	-	-	103,801	103,801
Islamic debt securities	91,029	2,044,811	-	2,135,840	54,633	370,402	-	425,035	2,560,875	2,562,032
Malaysian Government Islamic papers	-	164,728	-	164,728	-	113,701	-	113,701	278,429	277,309
	863,763	2,270,408	103,801	3,237,972	54,633	484,103	-	538,736	3,776,708	3,776,745

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 JUNE 2016**

**28 Fair Value Information (continued)**

31 December 2015	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>General Takaful</b>										
Equity securities	62,179	-	-	62,179	-	-	-	-	62,179	62,179
Unit trusts	19,677	2,429	-	22,106	-	-	-	-	22,106	22,106
Institutional Trust Account	-	-	27,429	27,429	-	-	-	-	27,429	27,429
Islamic debt securities	-	317,032	-	317,032	5,192	5,000	-	10,192	327,224	327,319
Malaysian Government Islamic papers	-	-	-	-	-	32,948	-	32,948	32,948	32,576
	81,856	319,461	27,429	428,746	5,192	37,948	-	43,140	471,886	471,609
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	748,005	-	-	748,005	-	-	-	-	748,005	748,005
Unit trusts	205,129	81,657	-	286,786	-	-	-	-	286,786	286,786
Institutional Trust Account	-	-	152,641	152,641	-	-	-	-	152,641	152,641
Islamic debt securities	94,838	2,636,691	-	2,731,529	61,770	375,402	-	437,172	3,168,701	3,170,184
Malaysian Government Islamic papers	-	164,728	-	164,728	-	146,649	-	146,649	311,377	309,885
	1,047,972	2,883,076	152,641	4,083,689	61,770	522,051	-	583,821	4,667,510	4,667,501

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 JUNE 2016

#### **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 30 JUNE 2016

### 28 Fair Value Information (continued)

#### Level 3 fair value

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

	<b>Takaful Operator RM'000</b>	<b>Family Takaful RM'000</b>	<b>General Takaful RM'000</b>	<b>Group RM'000</b>
<b>Available-for-sale financial assets</b>				
At 1 January 2015	38,259	84,900	26,154	149,313
Purchases	3,244	63,813	20,811	69,313
Disposal	(18,555)	-	-	-
Maturities	(3,244)	(49,060)	(20,811)	(73,115)
Gains and losses recognised in profit or loss				
Investment income - realised	1,707	4,148	1,275	7,130
At 31 December 2015 / 1 January 2016	21,411	103,801	27,429	152,641
Gains and losses recognised in profit or loss				
Investment income - realised	525	2,411	669	3,605
At 30 June 2016	21,936	106,212	28,098	156,246

### 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 30 JUNE 2016

#### 30 Regulatory capital requirements (continued)

The capital structure of the Company as at 30 June 2016, as prescribed under the RBCT Framework is provided below:

	<b>As at 30.6.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Tier 1 capital	1,264,539	1,167,906
Tier 2 capital	(6,326)	(30,374)
Deductions	(135,487)	(143,163)
<b>Total capital available</b>	<b>1,122,726</b>	<b>994,369</b>

#### 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 30 June 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	<b>As at 30.6.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	489,322	457,358
Unrealised	34,333	34,234
	<b>523,655</b>	<b>491,592</b>
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<b>523,655</b>	<b>491,592</b>
Add: Consolidation adjustments	16,265	15,450
<b>Total retained profits as per statements of financial position</b>	<b>539,920</b>	<b>507,042</b>

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, 27 July 2016