

# SYARIKAT TAKAFUL MALAYSIA BERHAD

## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

### QUARTER ENDED 30 SEPTEMBER 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 September 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 September 2016.

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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

On 19 August 2016, the Company allotted and issued 767,500 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>9 months ended 30 September 2016</b>			
Revenue from external participants	1,392,108	130,326	1,522,434
Profit before zakat and taxation	178,380	1,743	180,123
<b>As at 30 September 2016</b>			
Segment assets by location of assets	7,148,759	568,464	7,717,223
<b>9 months ended 30 September 2015</b>			
Revenue from external participants	1,266,188	119,043	1,385,231
Profit before zakat and taxation	156,937	(491)	156,446
<b>As at 30 September 2015</b>			
Segment assets by location of assets	6,860,710	467,292	7,328,002

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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 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 3<sup>rd</sup> quarter ended 30 September 2016, the Group generated Operating Revenue of RM427.0 million as compared to RM389.2 million in the corresponding quarter of the preceding year. The 9 months Operating Revenue increased by 9.9% to RM1,522.4 million from RM1,385.2 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 RM302.0 million, as compared to RM252.3 million in the same period last year. For the 9 months period, Family Takaful generated gross earned contributions of RM901.6 million as compared to RM776.6 million, increased by 16.1%, in the corresponding period last year. The increase is mainly attributable to higher sales from Family Takaful mortgage related products.

For the quarter under review, General Takaful generated gross earned contributions of RM121.7 million as compared to RM112.6 million in the corresponding quarter of preceding year. For the 9 months period, General Takaful recorded gross earned contributions of RM379.2 million, increased by 4.9%, as compared to RM361.4 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 SEPTEMBER 2016

#### 14 Review of Performance (continued)

For the quarter under review, the Group recorded profit after zakat and taxation of RM43.9 million, increased by 18.0% as compared to RM37.2 million in the same period last year. For the 9 months period, the Group recorded profit after zakat and taxation of RM135.6 million, increased by 10.8% as compared to RM122.4 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.

#### 18 Taxation

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

	3 months ended		Cumulative 9 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Current tax expense:				
- Current financial period	11,387	9,882	35,635	29,840
- Under / (Over) provision in prior year	2,500	(2,703)	2,500	(2,703)
Deferred tax benefits:				
- Current financial period	5,824	(62)	5,725	6,322
Total tax expense	<u>19,711</u>	<u>7,117</u>	<u>43,860</u>	<u>33,459</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 19 Status of Corporate Proposal

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

### 20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 30 September 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 9 months ended	
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
Owners of the Company (RM'000)	44,862	34,421	137,018	119,594
Weighted average number of ordinary shares in issue ('000)	820,496	818,178	818,746	816,092
<b>Basic EPS</b> (sen)	5.47	4.21	16.74	14.65

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

### 22 Earnings per Share (continued)

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

The calculation of diluted earnings per ordinary share at 30 September 2016 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

		3 months ended		Cumulative 9 months ended	
		30.9.2016	30.9.2015	30.9.2016	30.9.2015
Owners of the Company (RM'000)		44,862	34,421	137,018	119,594
Weighted average number of ordinary shares in issue	('000)	820,496	818,178	818,746	816,092
Effects of dilution	('000)	3,929	4,166	3,929	4,166
Diluted weighted average number of ordinary shares in issue	('000)	824,425	822,344	822,675	820,258
<b>Diluted EPS</b>	(sen)	5.44	4.19	16.66	14.58

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 23 Takaful Contract Liabilities

The takaful contract liabilities consist of the following:

	30 September 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	28,947	(2,733)	26,214	25,268	(4,104)	21,164
Provision for IBNR	159,472	(21,087)	138,385	157,702	(33,224)	124,478
Provision for outstanding claims	188,419	(23,820)	164,599	182,970	(37,328)	145,642
Actuarial liabilities	4,436,383	(147,251)	4,289,132	4,222,570	(242,477)	3,980,093
Unallocated surplus	657,095	-	657,095	791,232	-	791,232
AFS reserves	7,221	-	7,221	(62,755)	-	(62,755)
Translation reserves	(1,800)	-	(1,800)	(1,553)	-	(1,553)
Net asset value attributable to unitholders	241,074	-	241,074	208,145	-	208,145
Participants' fund	5,339,973	(147,251)	5,192,722	5,157,639	(242,477)	4,915,162
	5,528,392	(171,071)	5,357,321	5,340,609	(279,805)	5,060,804

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**23 Takaful Contract Liabilities (continued)**

	30 September 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	269,734	(183,174)	86,560	368,437	(273,667)	94,770
Provision for IBNR	187,720	(85,809)	101,911	189,662	(93,210)	96,452
Provision for outstanding claims	457,454	(268,983)	188,471	558,099	(366,877)	191,222
Provision for unearned contributions	299,762	(45,932)	253,830	297,773	(55,893)	241,880
	757,216	(314,915)	442,301	855,872	(422,770)	433,102
Unallocated surplus	231,633	-	231,633	233,368	-	233,368
AFS reserves	(641)	-	(641)	(8,923)	-	(8,923)
Translation reserves	1,779	-	1,779	1,391	-	1,391
Participants' fund	232,771	-	232,771	225,836	-	225,836
	989,987	(314,915)	675,072	1,081,708	(422,770)	658,938



# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 23 Takaful Contract Liabilities (continued)

	30 September 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	298,681	(185,907)	112,774	393,705	(277,771)	115,934
Provision for IBNR	347,192	(106,896)	240,296	347,364	(126,434)	220,930
Provision for outstanding claims	645,873	(292,803)	353,070	741,069	(404,205)	336,864
Provision for unearned contributions	299,762	(45,932)	253,830	297,773	(55,893)	241,880
	945,635	(338,735)	606,900	1,038,842	(460,098)	578,744
Actuarial liabilities	4,436,383	(147,251)	4,289,132	4,222,570	(242,477)	3,980,093
Unallocated surplus	888,728	-	888,728	1,024,600	-	1,024,600
AFS reserves	6,580	-	6,580	(71,678)	-	(71,678)
Translation reserves	(21)	-	(21)	(162)	-	(162)
Net asset value attributable to unitholders	203,244	-	203,244	170,115	-	170,115
Participants' fund	5,534,914	(147,251)	5,387,663	5,345,445	(242,477)	5,102,968
	6,480,549	(485,986)	5,994,563	6,384,287	(702,575)	5,681,712

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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)	(22,243)	-	(22,243)	(23,921)	-	(23,921)
Reversal of excess payment transferred to participants	(846)	-	(846)	-	-	-	(846)	-	(846)
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 SEPTEMBER 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	901,602	(32,467)	869,135	234,324	-	234,324	1,135,926	(32,467)	1,103,459
Investment income	167,175	-	167,175	21,927	-	21,927	189,102	-	189,102
Realised gains and (losses)	16,704	-	16,704	471	-	471	17,175	-	17,175
Fair value gains and (losses)	14,220	-	14,220	-	-	-	14,220	-	14,220
Other operating income	2,255	-	2,255	840	-	840	3,095	-	3,095
Net benefits and claims	(640,754)	49,754	(591,000)	(95,324)	-	(95,324)	(736,078)	49,754	(686,324)
Fees deducted (net)	(244,315)	-	(244,315)	(141,366)	-	(141,366)	(385,681)	-	(385,681)
Other operating expenses	(11,902)	-	(11,902)	(2,156)	-	(2,156)	(14,058)	-	(14,058)
Profit paid to participants	(1,786)	-	(1,786)	(6,971)	-	(6,971)	(8,757)	-	(8,757)
Excess payment transferred to participants	4,341	-	4,341	-	-	-	4,341	-	4,341
Increase in actuarial liabilities	(63,615)	95,557	31,942	-	-	-	(63,615)	95,557	31,942
Profit attributable to the Takaful Operator	(35,046)	(17,287)	(52,333)	(12,760)	-	(12,760)	(47,606)	(17,287)	(64,893)
Change in AFS reserve	69,976	-	69,976	8,282	-	8,282	78,258	-	78,258
Withholding tax	(8,220)	-	(8,220)	(720)	-	(720)	(8,940)	-	(8,940)
Effect of movement in exchange rates	11,699	(331)	11,368	388	-	388	12,087	(331)	11,756
<b>At 30 September 2016</b>	<b>5,339,973</b>	<b>(147,251)</b>	<b>5,192,722</b>	<b>232,771</b>	<b>-</b>	<b>232,771</b>	<b>5,534,914</b>	<b>(147,251)</b>	<b>5,387,663</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

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

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator 3 months ended		Cumulative 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Surplus transfer from:				
Family Takaful Fund	17,690	17,302	52,333	57,063
General Takaful Fund	2,470	11,844	12,760	27,907
Wakalah fee income	127,523	95,991	421,777	318,566
Total Takaful Operator income	<u>147,683</u>	<u>125,137</u>	<u>486,870</u>	<u>403,536</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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Rental income	173	156	2,557	2,289	228	162	1,444	1,106
Dividend income	784	1,302	6,390	8,461	563	1,001	7,737	10,764
Profit income	7,759	5,920	52,676	46,654	7,105	6,436	67,540	59,010
Accretion / (Amortisation)	(270)	(263)	(1,324)	(1,237)	(325)	(382)	(1,919)	(1,882)
Investment expenses	(18)	(16)	(506)	(440)	(54)	(54)	(250)	(212)
	<u>8,428</u>	<u>7,099</u>	<u>59,793</u>	<u>55,727</u>	<u>7,517</u>	<u>7,163</u>	<u>74,552</u>	<u>68,786</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

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

#### 25 Investment Income (continued)

The investment income consists of the following (continued):

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Rental income	499	497	7,238	7,140	646	552	3,828	3,703
Dividend income	2,047	3,784	14,363	21,766	1,489	3,033	17,899	28,583
Profit income	20,771	17,621	150,828	135,494	20,822	19,123	192,421	172,238
Accretion / (Amortisation)	(768)	(816)	(3,692)	(3,325)	(963)	(1,131)	(5,423)	(5,272)
Investment expenses	(38)	(150)	(1,562)	(1,464)	(67)	(74)	(704)	(792)
	<u>22,511</u>	<u>20,936</u>	<u>167,175</u>	<u>159,611</u>	<u>21,927</u>	<u>21,503</u>	<u>208,021</u>	<u>198,460</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Service charged and management fee	2,596	2,605	-	-	-	-	12	504
Gain on foreign exchange	-	601	-	2	803	25	698	628
Writeback of allowance for impaired financing	21	141	-	-	-	-	21	141
Writeback of allowance for impaired debts	-	-	1,023	-	-	1,666	710	1,052
Writeback of allowance for impaired wakalah fee	-	302	-	-	-	-	-	302
Writeback of Qard	-	2,733	-	-	-	-	-	-
Gain on disposal of assets	88	10	-	-	-	-	88	10
Other income	323	155	742	166	157	7,319	987	8,181
	<u>3,028</u>	<u>6,547</u>	<u>1,765</u>	<u>168</u>	<u>960</u>	<u>9,010</u>	<u>2,516</u>	<u>10,818</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

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

#### 26 Other Operating Income (continued)

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

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Service charged and management fee	7,459	7,606	-	-	-	-	12	1,440
Gain on foreign exchange	84	601	-	54	657	22	741	677
Writeback of allowance for impaired financing	40	453	-	-	-	-	40	453
Writeback of allowance for Impaired wakalah fee receivables	-	522	-	-	-	-	-	522
Writeback of Qard	-	2,733	-	-	-	-	-	-
Gain on disposal of assets	120	86	-	-	-	-	120	86
Other income	192	1,005	2,255	2,251	183	7,798	2,630	11,054
	<u>7,895</u>	<u>13,006</u>	<u>2,255</u>	<u>2,305</u>	<u>840</u>	<u>7,820</u>	<u>3,543</u>	<u>14,232</u>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 30 SEPTEMBER 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	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Depreciation	(2,685)	(2,736)	-	-	-	-	(4,125)	(3,893)
Impairment losses	(1,083)	(431)	(4,511)	(3,321)	(641)	(523)	(6,235)	(4,275)
Loss from foreign exchange	(105)	-	-	-	-	-	-	-
Administration fees	(23,677)	(29,893)	-	-	-	-	(23,677)	(29,893)
Agency related expenses	(2,312)	(2,124)	-	-	-	-	(2,312)	(2,124)
Allowance for impaired debts	-	-	-	(614)	(313)	-	-	-
Allowance for impaired wakalah fee receivables	(1,667)	-	-	-	-	-	(1,667)	-
Debts written off	-	-	(8)	(9)	(362)	-	(370)	(9)
Other expenses	-	(753)	(1,054)	(747)	(104)	(482)	(430)	(1,571)
	<u>(31,529)</u>	<u>(35,937)</u>	<u>(5,573)</u>	<u>(4,691)</u>	<u>(1,420)</u>	<u>(1,005)</u>	<u>(38,816)</u>	<u>(41,765)</u>



## SYARIKAT TAKAFUL MALAYSIA BERHAD

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

#### 27 Other Operating Expenses (continued)

The other operating expenses consist of the following:

	Takaful Operator 9 months ended		Family Takaful Fund 9 months ended		General Takaful Fund 9 months ended		Group 9 months ended	
	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000	30.9.2016 RM'000	30.9.2015 RM'000
Depreciation	(8,149)	(7,733)	-	-	-	-	(12,436)	(11,171)
Impairment losses	(2,937)	(906)	(8,519)	(7,270)	(1,203)	(1,133)	(12,659)	(9,309)
Administration fees	(107,561)	(103,010)	-	-	-	-	(107,561)	(103,010)
Agency related expenses	(5,064)	(5,593)	-	-	-	-	(5,064)	(5,593)
Allowance for impaired debts	-	-	(274)	(730)	(299)	(2,247)	(573)	(2,977)
Allowance for impaired wakalah fee receivables	(1,667)	-	-	-	-	-	(1,667)	-
Allowance of impaired financing	-	(235)	-	-	-	-	-	(235)
Debts written off	-	-	(307)	(523)	(362)	-	(669)	(523)
Other expenses	(77)	(1,596)	(2,802)	(4,234)	(292)	(702)	(1,670)	(5,431)
	<u>(125,455)</u>	<u>(119,073)</u>	<u>(11,902)</u>	<u>(12,757)</u>	<u>(2,156)</u>	<u>(4,082)</u>	<u>(142,299)</u>	<u>(138,249)</u>

# SYARIKAT TAKAFUL MALAYSIA BERHAD

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

### 28 Fair Value Information

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

30 September 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>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	61,028	-	-	61,028	-	-	-	-	61,028	61,028
Unit trusts	22,207	13,182	-	35,389	-	-	-	-	35,389	35,389
Institutional Trust Account	-	-	22,211	22,211	-	-	-	-	22,211	22,211
Islamic debt securities	3,841	308,812	-	312,653	2,137	-	-	2,137	314,790	314,886
Investment in linked funds	37,830	-	-	37,830	-	-	-	-	37,830	37,830
	124,906	321,994	22,211	469,111	2,137	-	-	2,137	471,248	471,344
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	570,065	-	-	570,065	-	-	-	-	570,065	570,065
Unit trusts	130,042	44,674	-	174,716	-	-	-	-	174,716	174,716
Institutional Trust Account	-	-	107,503	107,503	-	-	-	-	107,503	107,503
Islamic debt securities	72,709	2,235,073	-	2,307,782	60,374	382,484	-	442,858	2,750,640	2,735,518
Malaysian Government Islamic papers	-	156,172	-	156,172	-	74,321	-	74,321	230,493	228,697
	772,816	2,435,919	107,503	3,316,238	60,374	456,805	-	517,179	3,833,417	3,816,499

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

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

**28 Fair Value Information (continued)**

30 September 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	56,921	-	-	56,921	-	-	-	-	56,921	56,921
Unit trusts	14,264	-	-	14,264	-	-	-	-	14,264	14,264
Institutional Trust Account	-	-	28,400	28,400	-	-	-	-	28,400	28,400
Islamic debt securities	-	327,251	-	327,251	5,207	5,000	-	10,207	337,458	337,355
Malaysian Government Islamic papers	-	-	-	-	-	32,904	-	32,904	32,904	32,536
	71,185	327,251	28,400	426,836	5,207	37,904	-	43,111	469,947	469,476
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	688,014	-	-	688,014	-	-	-	-	688,014	688,014
Unit trusts	166,513	57,856	-	224,369	-	-	-	-	224,369	224,369
Institutional Trust Account	-	-	158,114	158,114	-	-	-	-	158,114	158,114
Islamic debt securities	76,550	2,871,136	-	2,947,686	67,718	387,484	-	455,202	3,402,888	3,387,759
Malaysian Government Islamic papers	-	156,172	-	156,172	-	107,225	-	107,225	263,397	261,233
	931,077	3,085,164	158,114	4,174,355	67,718	494,709	-	562,427	4,736,782	4,719,489

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
**QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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 SEPTEMBER 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 SEPTEMBER 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:

	Takaful Operator RM'000	Family Takaful RM'000	General Takaful RM'000	Group RM'000
<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
Purchases	-	24,844	5,070	29,914
Maturities	-	(24,844)	(5,070)	(29,914)
Gains and losses recognised in profit or loss				
Investment income - realised	800	3,702	971	5,473
At 30 September 2016	<u>22,211</u>	<u>107,503</u>	<u>28,400</u>	<u>158,114</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 30 SEPTEMBER 2016

#### 30 Regulatory capital requirements (continued)

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

	<b>As at 30.9.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
Tier 1 capital	1,318,478	1,167,906
Tier 2 capital	(17,202)	(30,374)
Deductions	(126,511)	(143,163)
<b>Total capital available</b>	<b>1,174,765</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 September 2016, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	<b>As at 30.9.2016 RM'000</b>	<b>As at 31.12.2015 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	538,009	457,358
Unrealised	29,120	34,234
	<b>567,129</b>	<b>491,592</b>
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<b>567,129</b>	<b>491,592</b>
Add: Consolidation adjustments	17,816	15,450
<b>Total retained profits as per statements of financial position</b>	<b>584,945</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, 17 October 2016