

# **SYARIKAT TAKAFUL MALAYSIA BERHAD**

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 31 MARCH 2017**

### **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 31 March 2017. 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 2016. 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 2016.

### **2 Auditors' Report**

The auditors' report on the audited financial statements of the preceding year ended 31 December 2016 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 2017.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2017

### 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 Directors on 20 December 2016 declared an interim single tier dividend of 12.00 sen per ordinary share of RM0.20 each in respect of the financial year ended 31 December 2016 and the dividend was paid on 20 January 2017.

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>3 months ended 31 March 2017</b>			
Revenue from external participants	623,034	36,807	659,841
Profit before zakat and taxation	71,284	1,281	72,565
<b>As at 31 March 2017</b>			
Segment assets by location of assets	7,269,246	592,979	7,862,225
<b>3 months ended 31 March 2016</b>			
Revenue from external participants	590,666	42,582	633,248
Profit before zakat and taxation	57,655	511	58,166
<b>As at 31 March 2016</b>			
Segment assets by location of assets	7,075,236	506,365	7,581,601

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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 2016.

### **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 2016.

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

As announced to Bursa Securities on 7 October 2016, the Final Meeting of Asean Retakaful International (L) Ltd ("ARIL"), a 63.09% owned subsidiary company of Takaful Malaysia was duly convened on 30 September 2016 and the Liquidator had on 7 October 2016 lodged the return in relation to the Final Meeting with the Labuan Financial Services Authority and the Official Receiver.

ARIL was dissolved upon the expiry of three (3) months from the lodgement date i.e. on 5 January 2017.

Other than the above, 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 1<sup>st</sup> quarter ended 31 March 2017, the Group generated Operating Revenue of RM659.8 million as compared to RM633.2 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.

For the quarter under review, Family Takaful recorded gross earned contributions of RM327.2 million, increased by 13.3%, as compared to RM288.7 million in the same period last year. The increase is mainly attributable to higher sales from Family Takaful mortgage related products.

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## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 31 MARCH 2017**

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

For the quarter under review, General Takaful generated gross earned contributions of RM143.4 million, increased by 3.8%, as compared to RM138.1 million in the corresponding quarter of preceding year. The growth was mainly from fire and motor classes.

For the quarter under review, the Group recorded profit before zakat and taxation of RM72.6 million, increased by 24.7% as compared to RM58.2 million in the same period last year. The higher profit is attributable to higher net wakalah fee income.

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

For the quarter under review, the profit before zakat and taxation registered RM72.6 million, which was higher by 77.6% as compared to the preceding quarter of RM40.9 million. The increase in profit was mainly attributable to higher net wakalah fee income.

### **16 Current Year Prospects**

For the year 2017, Takaful Malaysia will continue to emphasize the four core areas of customer reach, operational agility, cost competitiveness and stakeholder confidence to increase its overall market shares and continuously improving shareholders' value. Through its extensive range of products and services, the Company is poised to sustain its position as the market leader in the Family Takaful business. The Company will amplify its presence as the preferred choice for insurance through various advertising and marketing activities and promote its unique proposition of rewarding a 15% Cash Back to its General Takaful customers for no claims during coverage period. The Company will also undertake an enhanced approach to its distribution channel by accelerating digital initiatives to optimize its operations and marketing activities. The Company will actively cultivate its digital presence through an online sales portal and integrated online marketing initiatives as part of its long term strategy to meet the growing needs of the consumers.

### **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.

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2017

### 18 Taxation

The effective rate of taxation is consistent with the statutory tax rate for the current financial period in accordance with the Income Tax Act 1967.

	3 months ended	
	31.3.2017	31.3.2016
	RM'000	RM'000
Current tax expense:		
- Current financial period	14,565	14,458
Deferred tax benefits:		
- Current financial period	958	(2,877)
Total tax expense	<u>15,523</u>	<u>11,581</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 31 March 2017.

### 21 Material Litigation

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

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## NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2017

### 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	
	31.3.2017	31.3.2016
Owners of the Company (RM'000)	<u>56,754</u>	<u>46,623</u>
Weighted average number of ordinary shares in issue ('000)	<u>820,944</u>	<u>815,836</u>
<b>Basic EPS</b> (sen)	<u>6.91</u>	<u>5.71</u>

#### Diluted earnings per share ("Diluted EPS")

The calculation of diluted earnings per ordinary share at 31 March 2017 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	
	31.3.2017	31.3.2016
Owners of the Company (RM'000)	<u>56,754</u>	<u>46,623</u>
Weighted average number of ordinary shares in issue ('000)	<u>820,944</u>	<u>815,836</u>
Effects of dilution ('000)	<u>3,320</u>	<u>5,385</u>
Diluted weighted average number of ordinary shares in issue ('000)	<u>824,264</u>	<u>821,221</u>
<b>Diluted EPS</b> (sen)	<u>6.89</u>	<u>5.68</u>

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**QUARTER ENDED 31 MARCH 2017**

**23 Takaful Contract Liabilities**

The takaful contract liabilities consist of the following:

	31 March 2017		31 December 2016	
	Gross RM'000	Retakaful RM'000	Gross RM'000	Retakaful RM'000
				Net RM'000
<b>Family Takaful Fund</b>				
Provision for claims reported by participants	26,994	(2,795)	24,435	(2,292)
Provision for IBNR	143,888	(22,378)	150,654	(21,178)
Provision for outstanding claims	170,882	(25,173)	175,089	(23,470)
				151,619
Actuarial liabilities	4,724,057	(147,034)	4,389,596	(144,096)
Unallocated surplus	703,648	-	752,643	-
AFS reserves	(25,141)	-	(48,673)	-
Translation reserves	(2,853)	-	(2,976)	-
Net asset value attributable to unitholders	111,218	-	246,220	-
Participants' fund	5,510,929	(147,034)	5,336,810	(144,096)
				5,192,714
	5,681,811	(172,207)	5,511,899	(167,566)
				5,344,333

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**23 Takaful Contract Liabilities (continued)**

	31 March 2017		31 December 2016			
	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	231,211	(150,198)	81,013	234,840	(148,013)	86,827
Provision for IBNR	182,329	(93,885)	88,444	172,255	(89,943)	82,312
Provision for outstanding claims	413,540	(244,083)	169,457	407,095	(237,956)	169,139
Provision for unearned contributions	335,904	(72,121)	263,783	316,569	(62,969)	253,600
	749,444	(316,204)	433,240	723,664	(300,925)	422,739
Unallocated surplus	216,523	-	216,523	241,573	-	241,573
AFS reserves	(3,225)	-	(3,225)	(6,011)	-	(6,011)
Translation reserves	2,109	-	2,109	2,177	-	2,177
Participants' fund	215,407	-	215,407	237,739	-	237,739
	964,851	(316,204)	648,647	961,403	(300,925)	660,478



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**23 Takaful Contract Liabilities (continued)**

Group	31 March 2017			31 December 2016		
	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	258,205	(152,993)	105,212	259,275	(150,305)	108,970
Provision for IBNR	326,217	(116,263)	209,954	322,909	(111,121)	211,788
Provision for outstanding claims	584,422	(269,256)	315,166	582,184	(261,426)	320,758
Provision for unearned contributions	335,904	(72,121)	263,783	316,569	(62,969)	253,600
	920,326	(341,377)	578,949	898,753	(324,395)	574,358
Actuarial liabilities	4,724,057	(147,034)	4,577,023	4,389,596	(144,096)	4,245,500
Unallocated surplus	920,171	-	920,171	994,216	-	994,216
AFS reserves	(28,366)	-	(28,366)	(54,684)	-	(54,684)
Translation reserves	(744)	-	(744)	(799)	-	(799)
Net asset value attributable to unitholders	73,050	-	73,050	209,204	-	209,204
Participants' fund	5,688,168	(147,034)	5,541,134	5,537,533	(144,096)	5,393,437
	6,608,494	(488,411)	6,120,083	6,436,286	(468,491)	5,967,795

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### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2017

#### 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	Gross RM'000	Retakaful RM'000	Gross RM'000	Net RM'000
<b>At 1 January 2016</b>	5,157,639	(242,477)	225,836	-	5,345,445	5,102,968
Net earned contributions	1,229,446	(47,965)	304,424	-	1,533,870	1,485,905
Investment income	225,346	-	29,604	-	254,950	254,950
Realised gains and (losses)	(205)	-	(2,114)	-	(2,319)	(2,319)
Fair value gains and (losses)	15,435	-	143	-	15,578	15,578
Other operating income	1,047	-	821	-	1,868	1,868
Net benefits and claims	(825,156)	62,679	(109,826)	-	(934,982)	(872,303)
Fees deducted (net)	(327,059)	-	(175,273)	-	(502,332)	(502,332)
Other operating expenses	(14,565)	-	(4,671)	-	(19,236)	(19,236)
Profit paid to participants	(2,044)	-	(11,610)	-	(13,654)	(13,654)
Excess payment transferred to participants	4,472	-	-	-	4,472	4,472
Increase in actuarial liabilities	(113,233)	99,420	-	-	(113,233)	(13,813)
Profit attributable to the Takaful Operator	(51,807)	(14,715)	(22,571)	-	(73,364)	(88,079)
Change in AFS reserve	14,082	-	2,912	-	16,994	16,994
Withholding tax	(8,220)	-	(721)	-	(8,941)	(8,941)
Effect of movement in exchange rates	31,632	(1,038)	785	-	32,417	31,379
<b>At 31 December 2016</b>	<b>5,336,810</b>	<b>(144,096)</b>	<b>237,739</b>	<b>-</b>	<b>5,537,533</b>	<b>5,393,437</b>

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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
<b>At 1 January 2017</b>	5,336,810	(144,096)	5,192,714	237,739	-	237,739	5,537,533	(144,096)	5,393,437
Net earned contributions	327,150	(11,718)	315,432	82,133	-	82,133	409,283	(11,718)	397,565
Investment income	56,763	-	56,763	7,409	-	7,409	64,172	-	64,172
Realised gains and (losses)	6,956	-	6,956	741	-	741	7,697	-	7,697
Fair value gains and (losses)	1,074	-	1,074	-	-	-	1,074	-	1,074
Other operating income	53	-	53	1,432	-	1,432	1,485	-	1,485
Net benefits and claims	(206,099)	14,924	(191,175)	(43,870)	-	(43,870)	(249,969)	14,924	(235,045)
Fees deducted (net)	(109,465)	-	(109,465)	(60,370)	-	(60,370)	(169,835)	-	(169,835)
Other operating expenses	(3,481)	-	(3,481)	(54)	-	(54)	(3,535)	-	(3,535)
Profit paid to participants	(733)	-	(733)	(7,187)	-	(7,187)	(7,920)	-	(7,920)
Excess payment transferred to participants	(115)	-	(115)	-	-	-	(115)	-	(115)
Increase in actuarial liabilities	102,329	(3,029)	99,300	-	-	-	102,329	(3,029)	99,300
Profit attributable to the Takaful Operator	(12,295)	(3,206)	(15,501)	(4,881)	-	(4,881)	(18,328)	(3,206)	(21,534)
Change in AFS reserve	23,532	-	23,532	2,786	-	2,786	26,318	-	26,318
Withholding tax	(8,794)	-	(8,794)	(404)	-	(404)	(9,198)	-	(9,198)
Effect of movement in exchange rates	(2,756)	91	(2,665)	(67)	-	(67)	(2,823)	91	(2,732)
<b>At 31 March 2017</b>	<b>5,510,929</b>	<b>(147,034)</b>	<b>5,363,895</b>	<b>215,407</b>	<b>-</b>	<b>215,407</b>	<b>5,688,168</b>	<b>(147,034)</b>	<b>5,541,134</b>

## SYARIKAT TAKAFUL MALAYSIA BERHAD

### NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS QUARTER ENDED 31 MARCH 2017

#### 24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator 3 months ended	
	31.3.2017	31.3.2016
	RM'000	RM'000
Surplus transfer from:		
Family Takaful Fund	15,501	14,081
General Takaful Fund	4,881	5,718
Wakalah fee income	186,260	164,808
Total Takaful Operator income	206,642	184,607

#### 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	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	191	146	2,279	2,367	217	204	1,263	829
Dividend income	178	295	1,322	3,076	178	321	1,678	3,692
Profit income	8,194	6,245	54,951	48,619	7,315	6,749	70,460	61,613
Accretion / (Amortisation)	(284)	(245)	(1,408)	(1,128)	(297)	(346)	(1,989)	(1,719)
Investment expenses	(4)	(7)	(381)	(478)	(4)	(8)	(178)	(177)
	8,275	6,434	56,763	52,456	7,409	6,920	71,234	64,238

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
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**26 Other Operating Income**

The other operating 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	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Service charged and management fee	2,632	2,293	-	-	-	-	-	-
Gain on foreign exchange	-	36	-	-	-	-	-	36
Writeback of allowance for impaired financing	17	19	-	-	-	-	17	19
Writeback of allowance for impaired debts	-	-	-	-	1,340	-	-	-
Gain on disposal of assets	30	17	-	-	-	-	30	17
Other income	242	441	53	2,027	92	6	388	2,474
	<u>2,921</u>	<u>2,806</u>	<u>53</u>	<u>2,027</u>	<u>1,432</u>	<u>6</u>	<u>435</u>	<u>2,546</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS**  
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**27 Other Operating Expenses**

The other operating expenses consist of the following:

	Takaful Operator		Family Takaful Fund		General Takaful Fund		Group	
	3 months ended		3 months ended		3 months ended		3 months ended	
	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation	(2,252)	(2,749)	-	-	-	-	(3,342)	(4,174)
Impairment losses	(20)	(1,428)	(21)	(759)	(18)	(110)	(59)	(2,297)
Administration fees	(39,577)	(49,001)	-	-	-	(10)	(39,577)	(49,011)
Agency related expenses	(1,793)	(722)	-	-	-	-	(1,793)	(722)
Allowance for impaired debts	-	-	(1,626)	(3,836)	-	(1,357)	(286)	(5,193)
Debts written off	-	-	(444)	(216)	-	-	(444)	(216)
Other expenses	(298)	(423)	(1,390)	(1,130)	(36)	(143)	(1,131)	(1,193)
	<b>(43,940)</b>	<b>(54,323)</b>	<b>(3,481)</b>	<b>(5,941)</b>	<b>(54)</b>	<b>(1,620)</b>	<b>(46,632)</b>	<b>(62,806)</b>



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**28 Fair Value Information (continued)**

31 March 2017	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	22,820	-	-	22,820	-	-	-	-	22,820	22,820
Unit trusts	12,709	-	-	12,709	-	-	-	-	12,709	12,709
Institutional Trust Account	-	-	33,142	33,142	-	-	-	-	33,142	33,142
Islamic debt securities	-	325,819	-	325,819	5,350	5,000	-	10,350	336,169	336,131
Malaysian Government Islamic papers	-	19,696	-	19,696	-	5,032	-	5,032	24,728	24,696
	35,629	345,515	33,142	414,186	5,350	10,032	-	15,382	429,568	429,498
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	379,362	-	-	379,362	-	-	-	-	379,362	379,362
Unit trusts	153,967	67,077	-	221,044	-	-	-	-	221,044	221,044
Institutional Trust Account	-	-	242,519	242,519	-	-	-	-	242,519	242,519
Islamic debt securities	47,271	3,045,845	-	3,093,116	93,427	377,123	-	470,550	3,563,666	3,560,929
Malaysian Government Islamic papers	-	199,525	-	199,525	-	60,389	-	60,389	259,914	259,518
	580,600	3,312,447	242,519	4,135,566	93,427	437,512	-	530,939	4,666,505	4,663,372



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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		
<b>31 December 2016</b>										
<b>Takaful Operator</b>										
<b>Financial assets</b>										
Equity securities	40,354	-	-	40,354	-	-	-	-	40,354	40,354
Unit trusts	19,939	13,031	-	32,970	-	-	-	-	32,970	32,970
Institutional Trust Account	-	-	22,529	22,529	-	-	-	-	22,529	22,529
Islamic debt securities	3,888	312,157	-	316,045	11,723	-	-	11,723	327,768	327,883
Investment in linked funds	37,016	-	-	37,016	-	-	-	-	37,016	37,016
	101,197	325,188	22,529	448,914	11,723	-	-	11,723	460,637	460,752
<b>Family Takaful</b>										
<b>Financial assets</b>										
Equity securities	396,058	-	-	396,058	-	-	-	-	396,058	396,058
Unit trusts	124,989	51,818	-	176,807	-	-	-	-	176,807	176,807
Institutional Trust Account	-	-	108,830	108,830	-	-	-	-	108,830	108,830
Islamic debt securities	44,567	2,232,885	-	2,277,452	76,885	371,726	-	448,611	2,726,063	2,723,616
Malaysian Government Islamic papers	-	148,793	-	148,793	-	73,017	-	73,017	221,810	221,306
	565,614	2,433,496	108,830	3,107,940	76,885	444,743	-	521,628	3,629,568	3,626,617

**SYARIKAT TAKAFUL MALAYSIA BERHAD**

**NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS  
QUARTER ENDED 31 MARCH 2017**

**28 Fair Value Information (continued)**

31 December 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	36,199	-	-	36,199	-	-	-	-	36,199	36,199
Unit trusts	13,946	-	-	13,946	-	-	-	-	13,946	13,946
Institutional Trust Account	-	-	28,753	28,753	-	-	-	-	28,753	28,753
Islamic debt securities	-	314,484	-	314,484	5,382	5,000	-	10,382	324,866	324,828
Malaysian Government	-	-	-	-	-	32,635	-	32,635	32,635	32,524
Islamic papers	-	-	-	-	-	-	-	-	-	-
	50,145	314,484	28,753	393,382	5,382	37,635	-	43,017	436,399	436,250
<b>Group</b>										
<b>Financial assets</b>										
Equity securities	472,611	-	-	472,611	-	-	-	-	472,611	472,611
Unit trusts	158,874	64,849	-	223,723	-	-	-	-	223,723	223,723
Institutional Trust Account	-	-	160,112	160,112	-	-	-	-	160,112	160,112
Islamic debt securities	48,455	2,859,526	-	2,907,981	93,990	376,726	-	470,716	3,378,697	3,376,327
Malaysian Government	-	148,793	-	148,793	-	105,652	-	105,652	254,445	253,830
Islamic papers	-	-	-	-	-	-	-	-	-	-
	679,940	3,073,168	160,112	3,913,220	93,990	482,378	-	576,368	4,489,588	4,486,603

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## **NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS** **QUARTER ENDED 31 MARCH 2017**

### **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 2017

### 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 2016	21,411	103,801	27,429	152,641
Purchases	19,004	24,534	5,007	48,545
Maturities	(19,004)	(24,534)	(5,007)	(48,545)
Gains and losses recognised in profit or loss				
Investment income - realised	1,118	5,029	1,324	7,471
At 31 December 2016 / 1 January 2017	22,529	108,830	28,753	160,112
Purchases	13,000	83,272	5,267	101,539
Maturities	-	(20,272)	(1,267)	(21,539)
Gains and losses recognised in profit or loss				
Investment income - realised	249	1,769	389	2,407
At 31 March 2017	35,778	173,599	33,142	242,519

### 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 2017

### 30 Regulatory capital requirements (continued)

The capital structure of the Company as at 31 March 2017, as prescribed under the RBCT Framework is provided below:

	<b>As at 31.3.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Tier 1 capital	1,667,607	1,212,934
Tier 2 capital	1,229	(16,620)
Deductions	(115,524)	(122,376)
<b>Total capital available</b>	<b>1,553,312</b>	<b>1,073,938</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 31 March 2017, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Listing Requirements, are as follows:

	<b>As at 31.3.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
<b>Total retained profits of the Group</b>		
Realised	547,462	490,488
Unrealised	27,974	28,932
	<b>575,436</b>	<b>519,420</b>
<b>Total share of retained profits of associates:</b>		
Realised	-	-
Unrealised	-	-
	<b>575,436</b>	<b>519,420</b>
Add: Consolidation adjustments	7,518	6,780
<b>Total retained profits as per statements of financial position</b>	<b>582,954</b>	<b>526,200</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, 25 April 2017