

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 Basis of preparation

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

The condensed consolidated interim financial statements of the Group comprise the Company and its subsidiaries as at and for the quarter ended 31 March 2024. It also includes Takaful funds established in accordance with Islamic Financial Services Act, 2013 in Malaysia, which are managed and controlled by the Group and by the Company as operator of the fund.

The statements of financial position and the statements of profit or loss and other comprehensive income of the Family Takaful Fund and General Takaful Fund are supplementary financial information presented in accordance with the requirements of BNM and Islamic Financial Services Act, 2013 in Malaysia to segregate assets, liabilities, income and expenses of Takaful funds from its own. The statements of financial position and profit or loss and other comprehensive income of the Family and General Takaful Fund include only the assets, liabilities, income and expenses of the family solidarity fund and General Takaful Fund that is set up, managed and controlled by the Takaful Operator.

In preparing the Group-level consolidated financial statements, the balances and transactions of the Takaful Operator are amalgamated and combined with those of the Takaful funds. Interfund assets and liabilities, income and expenses relating to transactions between the funds are eliminated in full during amalgamation. The accounting policies adopted for the Takaful Operator and Takaful funds are uniform for like transactions and events in similar circumstances.

The Takaful fund are consolidated and amalgamated from the date of control and continue to be consolidated until the date such control ceases which occur when the Group's and the Company's license to manage Takaful business is withdrawn or surrendered.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2023.

The accounting policies and presentation adopted by the Group for the unaudited condensed consolidated interim financial statements are consistent with those adopted in the Group's audited financial statements for the financial year ended 31 December 2023, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 "Lease Liabilities in a Sale and Leaseback";
- Amendments to MFRS 101 "Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current";
- Amendments to MFRS 107 and MFRS 7 "Disclosures-Supplier Finance Arrangements"

The initial application of the abovementioned standards, amendments and interpretations do not have any material impacts to the current and prior period's financial statements upon their first adoption.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2023 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 2024.

5 Estimates

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

6 Debt and Equity Securities

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

7 Dividends

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

No dividend was declared for the current quarter under review.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8 Segmental Reporting

Business Segments:

	Family RM'000	General RM'000	Group RM'000
3 months ended 31 March 2024			
Takaful revenue	449,601	350,412	892,211
Profit before zakat and tax	-	-	150,272
3 months ended 31 March 2023			
Takaful revenue	286,486	291,367	635,318
Profit before zakat and tax	-	-	129,623

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 2023.

10 Material Events Subsequent to the End of the Period

There was no material event subsequent to the end of the period under review that has not been reported in the unaudited condensed consolidated financial statements for the current financial quarter.

11 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the financial statement as at and for the year ended 31 December 2023.

12 Effect of Changes in Composition of the Company/ Group

There was no change in the composition of the Group for the current financial quarter under review.

13 Contingent Liabilities

There were no contingent liabilities as at the date of this announcement.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Review of Performance

	3 months ended		
	31.03.2024	31.03.2023	Changes
	RM'000	RM'000	%
Takaful revenue	892,211	635,318	40%
Takaful service results	53,056	48,866	9%
Profit before zakat and tax	150,272	129,623	16%

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

Group Takaful revenue

The Group recorded takaful revenue of RM892.2 million for the 1Q 2024, was higher by RM256.9 million (40%) as compared to RM635.3 million in the same period last year. The increase was mainly attributable to:

- i) Higher contribution release of RM67 million, mainly from General Takaful;
- ii) Increase in the amount charged for Takaful coverage and wakalah fees for Family Takaful, by RM188.6 million; and
- iii) Higher release of contractual service margin ("CSM") of RM6.7 million.

Group Takaful service results

The increase in Takaful Service Results by RM4.2 million is due to a higher CSM released and higher PAA contract portfolio profit.

Group Profit before zakat and tax

For the first quarter ended 31 March 2024, the Group recorded a profit before tax and zakat of RM150.3 million, 16% higher compared to the same period last year of RM129.6 million. The increase in profit before zakat and tax is mainly attributable to the increase in CSM release and higher PAA contract portfolio profit from General Takaful.

Family Takaful

i) Takaful revenue

Family Takaful generated takaful revenue of RM449.6 million for the first quarter ended 31 March 2024, increased by 57% as compared to RM286.5 million in the same period last year, mainly attributable to higher takaful revenue earned for takaful services provided.

Syarikat Takaful Malaysia Keluarga Berhad**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****14 Review of Performance (continued)****14.1 Financial results of the current year-to-date against preceding year-to-date (continued)****Family Takaful (continued)****ii) Takaful service results**

Excluding surplus attributable to participants movement, the Takaful Service Results increased by RM7.8 million mainly contributed by higher contribution release.

iii) Net investment income

The investment income for the first quarter ended 31 March 2024 was RM118.5 million, increased by RM34.6 million, mainly due to higher profit income from fixed income investments and higher net fair value gains on financial assets.

iv) Net Takaful Financial Results

The Group recorded net takaful financial results of RM40.2 million for the first quarter ended 31 March 2024, higher by RM14.8 million as compared to the same period last year of RM25.4 million. The higher net negative takaful financial results were mainly attributable to higher unwinding effect from higher takaful contract liabilities.

General Takaful**i) Takaful revenue**

General takaful recorded Takaful revenue of RM350.4 million for the first quarter ended 31 March 2024, 20% higher as compared to the same period last year of RM291.4 million. The higher takaful revenue was mainly attributable to higher contribution release recorded from fire and motor class of businesses.

ii) Takaful service results

Excluding surplus attributable to participants movement, the Takaful Service Results increased by RM15.3 million. This is due to a higher contract portfolio profit of RM4.2 million and improvement in claims experiences by RM11.3 million as there were higher claims paid out in 2023 due to flood events in 2022.

iii) Net investment income

The net investment income for the first quarter ended 31 March 2024 was RM14.1 million, higher by RM0.9 million as compared to the same period last year of RM13.2 million, mainly due to higher profit income from fixed income investments.

iv) Net Takaful Financial Results

General Takaful recorded net takaful financial results of RM6.2 million for the first quarter ended 31 March 2024, RM1.5 million higher as compared to the same period last year of RM4.7 million. The higher net negative takaful financial results were mainly attributable to higher unwinding effect from higher takaful contract liabilities.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14 Review of Performance (continued)

14.2 Review of Statements of Financial Position

As at 31 March 2024, total assets of RM15,323.7 million, increased by 4% as compared to RM14,675.9 million as at 31 December 2023, mainly attributable to higher loans and receivables, investments, and partially offset by lower cash and cash equivalents.

Loans and receivables increased from RM2,153.0 million to RM2,315.4 million whilst cash and cash equivalents decreased from RM851.4 million to RM662.4 million as at 31 March 2024 mainly due to increase in placement in fixed and call deposits at licensed institutions with maturity more than 3 months arising from business growth.

Investments increased by 4% from RM9,259.6 million as at 31 December 2023 to RM9,653.6 million as at 31 March 2024, mainly attributable to the increase in Islamic debts securities and Malaysian Government Islamic Papers. The increase was mainly attributable to new purchases of sukuk.

Total liabilities increased to RM13,499.8 million as at 31 March 2024 as compared to RM12,961.7 million as at 31 December 2023, which was mainly attributable to higher takaful contract liabilities.

Shareholders' equity increased by 6% to RM1,823.9 million as at 31 March 2024. This is mainly attributed to the net profit generated during the financial period of RM102.3 million.

14.3 Review of Statements of Cash Flows

For the first quarter ended 31 March 2024, the Group's cash flow position decreased to RM662.4 million as compared to the position as at 31 December 2023 of RM851.4 million, mainly attributable to utilisation of cash towards placement of money market instruments with maturity profile above 3 months during the quarter. The Group's cash flow position remain healthy and able to meet its obligation.

15 Financial review for current quarter compared with immediate preceding quarter

	Current Quarter 31.03.2024	Immediate Preceding Quarter 31.12.2023	Changes
	RM'000	RM'000	%
Takaful revenue	892,211	989,617	-10%
Takaful service results	53,056	29,203	82%
Profit before zakat and tax	150,272	115,333	30%

Group Takaful revenue

For the current quarter under review, the Group recorded takaful revenue of RM892.2 million, lower by RM 97.4 million or 10% as compared to RM989.6 million in the immediate preceding quarter. The decrease was mainly attributable to lower contribution release from General Takaful.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Group Takaful service results

Excluding surplus attributable to participants movement, the Takaful Service Results increased by RM46.4 million mainly contributed by higher contribution profit of RM34.5 million and increase in the amount charged for Takaful coverage and wakalah fees RM18.1 million.

Group Profit before zakat and tax

For the current quarter under review, the Group recorded profit before tax and zakat of RM150.3 million, higher by 30% as compared to the immediate preceding quarter of RM115.3 million. This was mainly attributable to higher contribution profit of RM34.5 million.

Family Takaful

i) Takaful revenue

For the current quarter under review, Family Takaful generated takaful revenue of RM449.6 million, increased by 6% as compared to RM425.8 million in the immediate preceding quarter, mainly attributable to higher takaful revenue earned for takaful services provided.

ii) Takaful service results

Takaful Service Results decreased by RM23.6 million. The decrease was mainly attributable to higher actual expense experience.

iii) Net Takaful Financial Results

For the current quarter under review, Family Takaful recorded a negative net takaful financial results of RM40.2 million, decreased by RM2.6 million as compared to the immediate preceding quarter of RM42.8 million. The decreased of net negative takaful financial results were mainly attributable to lesser unwinding effect from takaful contract liabilities.

General Takaful

i) Takaful revenue

For the current quarter under review, General takaful recorded Takaful revenue of RM350.4 million, slightly higher by 1% as compared to the immediate preceding quarter of RM346.9 million. The higher takaful revenue was mainly attributable to higher contribution income recorded from fire and motor class of businesses.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

General Takaful (continued)

ii) Takaful service results

Takaful Service Results increased by RM1 million. The decrease was mainly attributable to lower incurred claims.

iii) Net Takaful Financial Results

General Takaful recorded net takaful financial results of RM6.2 million for the first quarter ended 31 March 2024, RM1.9 million higher as compared to immediate preceding quarter of RM1.9 million. The higher net negative takaful financial results were mainly attributable to higher unwinding effect from higher takaful contract liabilities.

16 Current Year Prospects

Whilst 2023 GDP moderated to 3.7%, GDP growth in 2024 is expected to be in the range of 4% to 5%. We continue to see inflationary pressure, relatively higher interest rates and weak consumer sentiments and this is further compounded by conflicts in the Middle East which has significant impact on energy prices. Whilst challenges are expected to stay in the forefront during the near term, we continue to believe that there are significant opportunities in the Takaful market and the Group's strong capital and liquidity buffers would allow the Group to capture these opportunities during this period of challenges.

The Group will continue to focus on our core businesses in Bancatakaful, Treasury, Employee Benefits and General Takaful, in which we have planted firm foothold, and these are the key drivers to our standing as the leader in the Takaful industry. In these segments, we continue to be our customers' preferred Takaful operator, and as we celebrate our 40th year of operation, we believe that our pioneer status brings value to our brand and affirm our customer's trust in our products and services.

Whilst we are the leaders in the aforementioned segments, we continue apace to diversify our business portfolio into the retail family takaful market. Our flagship brand Kaotim continue to show positive results and we are focused to continue to build on the positive results seen thus far by expanding products on the Kaotim platform. In this segment, our focus are young professionals and the digital savvy, a market segment which cannot be ignored and we believe that this segment will mature into a key market segment with growing protection needs in the future.

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

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17 Variance of Actual Profit from Profit Forecast or Profit Guarantee

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

18 Taxation

	3 months ended	
	31.03.2024	31.03.2023
	RM'000	RM'000
Current tax expense		
- Current financial period	48,380	48,142
Deferred tax expense		
- Current financial period	(3,591)	(14,364)
Total tax expense	<u>44,789</u>	<u>33,778</u>

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

18.2 The Inland Revenue Board ("IRB") had, on 8 September 2017, issued to the Company notices of additional assessment (i.e. Form JA) for the years of assessment ("YA") 2012, 2013, and 2014. The additional tax payable by the Company under the above-mentioned notices is RM12,561,630.50. As a result of the above, IRB had also treated the tax returns made by the Company for the above years of assessment as incorrect, and imposed a penalty of RM6,200,802.97 to the Company.

The Company has paid the additional tax on 4 October 2017 and submitted an appeal (Form Q) to Special Commissioner of Income Tax against the notice of assessment on 5 October 2017.

The Company is of the view that there are strong justifications for its appeal against certain matters raised by IRB and have treated the related tax payment of RM16,741,000 as tax recoverable.

The last court mention which was fixed on 25th April 2024 was postponed to a later date. The next court mention is fixed on 27th July 2024.

19 Status of Corporate Proposal

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

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2024.

21 Material Litigation

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

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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	
		31.03.2024	31.03.2023
		RM'000	RM'000
Owners of the Company	(RM'000)	<u>102,299</u>	<u>93,444</u>
Weighted average number of ordinary shares in issue	('000)	<u>837,306</u>	<u>837,306</u>
Basic EPS	(sen)	<u>12.22</u>	<u>11.15</u>

Diluted earnings per share (“Diluted EPS”)

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

		3 months ended	
		31.03.2024	31.03.2023
		RM'000	RM'000
Owners of the Company	(RM'000)	<u>102,299</u>	<u>93,444</u>
Weighted average number of ordinary shares in issue	('000)	<u>837,306</u>	<u>837,306</u>
Effects of dilution	('000)	<u>-</u>	<u>135</u>
Diluted weighted average number of ordinary shares in issue	('000)	<u>837,306</u>	<u>837,441</u>
Diluted EPS	(sen)	<u>12.22</u>	<u>11.15</u>

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Assets		Liabilities		Total assets RM'000	Total liabilities RM'000
	Remaining coverage RM'000	Incurred claims RM'000	Remaining coverage RM'000	Incurred claims RM'000		
31 March 2024						
Family Takaful						
Takaful contracts	19,608	529,198	(345,854)	(9,458,652)	548,806	(9,804,506)
Retakaful contracts	50,189	297,768	(181,966)	-	347,957	(181,966)
	<u>69,797</u>	<u>826,966</u>	<u>(527,820)</u>	<u>(9,458,652)</u>	<u>896,763</u>	<u>(9,986,472)</u>
General Takaful						
Takaful contracts	4,260	14,143	(481,955)	(1,891,098)	18,403	(2,373,053)
Retakaful contracts	240,836	839,132	(2,344)	(79,283)	1,079,968	(81,627)
	<u>245,096</u>	<u>853,275</u>	<u>(484,299)</u>	<u>(1,970,381)</u>	<u>1,098,371</u>	<u>(2,454,680)</u>
Group						
Takaful contracts	64,082	543,341	(1,659,920)	(11,325,894)	607,423	(12,985,814)
Retakaful contracts	302,082	1,136,900	(186,024)	(79,283)	1,438,982	(265,307)
	<u>366,164</u>	<u>1,680,241</u>	<u>(1,845,944)</u>	<u>(11,405,177)</u>	<u>2,046,405</u>	<u>(13,251,121)</u>

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Assets		Liabilities		Total assets RM'000	Total liabilities RM'000
	Remaining coverage RM'000	Incurred claims RM'000	Remaining coverage RM'000	Incurred claims RM'000		
31 December 2023						
Family Takaful						
Takaful contracts	73,301	272,837	(357,563)	(9,073,542)	346,138	(9,431,105)
Retakaful contracts	49,064	343,751	(138,413)	-	392,815	(138,413)
	<u>122,365</u>	<u>616,588</u>	<u>(495,976)</u>	<u>(9,073,542)</u>	<u>738,953</u>	<u>(9,569,518)</u>
General Takaful						
Takaful contracts	4,180	9,155	(323,112)	(1,803,168)	13,335	(2,126,280)
Retakaful contracts	154,583	817,273	(3,397)	(124,163)	971,856	(127,560)
	<u>158,763</u>	<u>826,428</u>	<u>(326,509)</u>	<u>(1,927,331)</u>	<u>985,191</u>	<u>(2,253,840)</u>
Group						
Takaful contracts	101,864	281,992	(1,464,423)	(10,854,101)	383,856	(12,318,524)
Retakaful contracts	214,477	1,161,024	(143,505)	(124,162)	1,375,501	(267,667)
	<u>316,341</u>	<u>1,443,016</u>	<u>(1,607,928)</u>	<u>(10,978,263)</u>	<u>1,759,357</u>	<u>(12,586,191)</u>

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

23.1 Movements in takaful contract balances

	Family Takaful		General Takaful		Group	
	2024	2023	2024	2023	2024	2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Takaful contract liabilities as at 1 January	9,431,105	8,478,737	2,126,280	1,771,538	12,318,524	11,288,957
Takaful contract assets as at 1 January	(346,138)	(253,634)	(13,335)	(7,078)	(383,856)	(326,833)
Net takaful contract liabilities as at 1 January	9,084,967	8,225,103	2,112,945	1,764,460	11,934,668	10,962,124
Takaful revenue	(449,601)	(1,550,704)	(350,412)	(1,279,287)	(892,211)	(2,942,129)
Takaful service expenses	531,363	1,899,189	350,163	1,281,626	830,570	2,839,241
Takaful service result	81,762	348,485	(249)	2,339	(61,641)	(102,888)
Takaful finance expenses from takaful contracts issued	38,676	131,322	13,368	48,964	63,353	221,336
Effect of movements in exchange rates	(108)	21,666	-	-	(105)	22,553
Total changes in the statement of profit or loss and OCI	120,330	501,473	13,119	51,303	1,607	141,001
Cash flows						
Contributions received	349,275	1,458,351	512,700	1,351,914	806,855	2,778,995
Claims and other expenses paid including investment components	(104,785)	(461,855)	(136,197)	(577,212)	(253,709)	(1,152,281)
Takaful acquisition cash flows	-	-	-	-	(186,773)	(1,098,624)
Deem settlement transfer	(247,598)	(883,084)	(151,179)	(488,033)	(13,580)	36,292
Total cash flows	(3,108)	113,412	225,324	286,669	352,793	564,382
Investment revaluation reserve	51,665	243,174	2,013	15,268	58,764	291,334
Other movements	1,846	1,805	1,249	(4,755)	30,559	(24,173)
Net takaful contract liabilities as at 31 March/ 31 December	9,255,700	9,084,967	2,354,650	2,112,945	12,378,391	11,934,668
Takaful contract liabilities as at 31 March/ 31 December	9,804,506	9,431,105	2,373,053	2,126,280	12,985,814	12,318,524
Takaful contract assets as at 31 March/ 31 December	(548,806)	(346,138)	(18,403)	(13,335)	(607,423)	(383,856)
Net takaful contract liabilities as at 31 March/ 31 December	9,255,700	9,084,967	2,354,650	2,112,945	12,378,391	11,934,668

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

23.2 Movements in retakaful contract balances

	Family Takaful		General Takaful		Group	
	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000	2024 RM'000	2023 RM'000
Retakaful contract assets as at 1 January	392,815	267,304	971,856	792,050	1,375,501	1,061,428
Retakaful contract liabilities as at 1 January	(138,413)	(77,123)	(127,560)	(132,104)	(267,667)	(210,124)
Net retakaful contract assets as at 1 January	254,402	190,181	844,296	659,946	1,107,834	851,304
Allocation of retakaful contributions	(49,912)	(154,746)	(121,783)	(472,001)	(176,066)	(633,795)
Amounts recoverable from retakaful operators	53,940	263,800	113,541	441,802	167,481	705,602
Net income or expense from retakaful contracts held	4,028	109,054	(8,242)	(30,199)	(8,585)	71,807
Effect of changes in non-performance risk of retakaful operators	524	816	(245)	193	279	1,009
Retakaful finance income from retakaful contracts held	524	-	8,242	30,199	8,787	33,185
Effect of movements in exchange rates	(19)	2,954	-	-	(16)	2,909
Total changes in the statement of profit or loss and OCI	5,057	112,824	(245)	193	465	108,910
Cash flows						
Retakaful contributions paid	(27,998)	95,929	218,912	469,924	194,722	578,474
Amounts received	(44,079)	(152,183)	(64,865)	(285,573)	(108,944)	(437,167)
Total cash flows	(72,077)	(56,254)	154,047	184,351	85,778	141,307
Other movements	(21,391)	7,651	243	(194)	(20,402)	6,313
Net retakaful contract assets as at 31 March/ 31 December	165,991	254,402	998,341	844,296	1,173,675	1,107,834
Retakaful contract assets as at 31 March/ 31 December	347,957	392,815	1,079,968	971,856	1,438,982	1,375,501
Retakaful contract liabilities as at 31 March/ 31 December	(181,966)	(138,413)	(81,627)	(127,560)	(265,307)	(267,667)
Net retakaful contract assets as at 31 March/ 31 December	165,991	254,402	998,341	844,296	1,173,675	1,107,834

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24 Takaful revenue

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

	Family Takaful		General Takaful		Group	
	3 months ended		3 months ended		3 months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Amounts relating to the changes in the liability for remaining coverage						
Expected claims and takaful service expenses incurred in the period	239,826	181,198	7,753	7,822	241,115	183,093
Change in the risk adjustment for non-financial risk	-	-	-	-	11,475	11,182
Amount of Contractual Service Margin ("CSM") recognised in the profit or loss	-	-	-	-	63,953	57,217
Other amounts including experience adjustments for income related items	(7,605)	(352)	(145)	(32)	(7,482)	967
Others	(1)	(103)	25	158	31	59
Amounts relating to recovery of takaful acquisition cash flows	127,773	27,222	2,691	2,625	152,852	23,121
Takaful revenue - contracts not measured under PAA	359,993	207,965	10,324	10,573	461,944	275,639
Takaful revenue - contracts measured under PAA	89,608	78,521	340,088	280,794	430,267	359,679
Total takaful revenue	449,601	286,486	350,412	291,367	892,211	635,318

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25 Takaful service expenses

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

	Family Takaful		General Takaful		Group	
	3 months ended		3 months ended		3 months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Incurring claims and other takaful service expenses	373,941	300,038	227,680	117,219	617,651	434,368
Amortisation of acquisition cash flows - wakalah fees	153,845	52,485	121,808	104,626	206,895	67,946
Losses on onerous contracts and reversal of losses on onerous contracts	-	-	-	-	1,772	9,983
Changes to liabilities for incurred claims	3,577	(7,884)	675	70,218	4,252	62,334
Total takaful service expenses	531,363	344,639	350,163	292,063	830,570	574,631
Represented by:						
Contracts not measured under PAA	426,627	260,794	11,147	11,866	452,386	255,955
Contracts measured under PAA	104,736	83,845	339,016	280,197	378,184	318,676
	531,363	344,639	350,163	292,063	830,570	574,631

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

26 Investment Income

The investment income consists of the following:

	Family Takaful		General Takaful		Group	
	3 months ended		3 months ended		3 months ended	
	31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Investment income on financial assets not measured at FVTPL</u>						
Profit income	88,797	81,789	14,252	12,239	126,005	115,602
Amortisation	(1,908)	(1,816)	(188)	(156)	(2,501)	(2,408)
	<u>86,889</u>	<u>79,973</u>	<u>14,064</u>	<u>12,083</u>	<u>123,504</u>	<u>113,194</u>
<u>Investment income - others</u>						
Rental income	967	1,712	62	80	1,194	2,003
Dividend income	3,559	2,039	-	-	3,679	2,098
Profit income	3,035	3,683	-	-	4,105	4,796
Amortisation	3	3	-	-	3	3
Investment expenses	(92)	(34)	-	(2)	(92)	(36)
	<u>7,472</u>	<u>7,403</u>	<u>62</u>	<u>78</u>	<u>8,889</u>	<u>8,864</u>
	<u>94,361</u>	<u>87,376</u>	<u>14,126</u>	<u>12,161</u>	<u>132,393</u>	<u>122,058</u>

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

27 Realised gains and losses

The realised gains and losses consist of the following:

Family Takaful		General Takaful		Group	
3 months ended		3 months ended		3 months ended	
31.03.2024	31.03.2023	31.03.2024	31.03.2023	31.03.2024	31.03.2023
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Realised gains and losses arising from:</u>					
FVOCI financial assets:					
- Islamic Debt Securities (Unquoted in Malaysia)	2,402	5,657	-	1,059	8,954
- Islamic Debt Securities (Unquoted outside Malaysia)	-	-	-	-	-
- Malaysian Government Islamic paper	-	(1)	-	-	437
	<u>2,402</u>	<u>5,656</u>	<u>-</u>	<u>1,059</u>	<u>9,391</u>

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Fair value information

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

	Fair value of financial instruments				Carrying Amount RM'000
	carried at fair value			Total RM'000	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
31 March 2024					
Family Takaful					
Financial assets					
Equity securities	371,928	75,048	-	446,976	446,976
Unit trusts	102,001	25,173	-	127,174	127,174
Institutional Trust Account	-	-	432,026	432,026	432,026
Islamic debt securities	145,636	5,702,008	-	5,847,644	5,847,644
Malaysian Government Islamic papers	-	610,949	-	610,949	610,949
	<u>619,565</u>	<u>6,413,178</u>	<u>432,026</u>	<u>7,464,769</u>	<u>7,464,769</u>
General Takaful					
Financial assets					
Institutional Trust Account	-	-	73,628	73,628	73,628
Islamic debt securities	-	635,287	-	635,287	635,287
Malaysian Government Islamic papers	-	75,930	-	75,930	75,930
	<u>-</u>	<u>711,217</u>	<u>73,628</u>	<u>784,845</u>	<u>784,845</u>
Group					
Financial assets					
Equity securities	384,597	107,212	380	492,189	492,189
Unit trusts	102,850	32,280	-	135,130	135,130
Institutional Trust Account	-	-	584,271	584,271	584,271
Islamic debt securities	183,235	7,442,277	-	7,625,512	7,625,512
Malaysian Government Islamic papers	-	816,481	-	816,481	816,481
	<u>670,682</u>	<u>8,398,250</u>	<u>584,651</u>	<u>9,653,583</u>	<u>9,653,583</u>

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Fair value information (continued)

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

	Fair value of financial instruments				Carrying Amount RM'000
	carried at fair value			Total RM'000	
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
31 December 2023					
Family Takaful					
Financial assets					
Equity securities	240,187	75,159	-	315,346	315,346
Unit trusts	93,520	26,690	-	120,210	120,210
Institutional Trust Account	-	-	403,795	403,795	403,795
Islamic debt securities	147,689	5,556,790	-	5,704,479	5,704,479
Malaysian Government Islamic papers	-	596,463	-	596,463	596,463
	<u>481,396</u>	<u>6,255,102</u>	<u>403,795</u>	<u>7,140,293</u>	<u>7,140,293</u>
General Takaful					
Financial assets					
Institutional Trust Account	-	-	58,275	58,275	58,275
Islamic debt securities	-	613,292	-	613,292	613,292
Malaysian Government Islamic papers	-	75,838	-	75,838	75,838
	<u>-</u>	<u>689,130</u>	<u>58,275</u>	<u>747,405</u>	<u>747,405</u>
Group					
Financial assets					
Equity securities	246,318	107,371	-	353,689	353,689
Unit trusts	94,166	33,748	-	127,914	127,914
Institutional Trust Account	-	-	540,040	540,040	540,040
Islamic debt securities	185,985	7,285,600	-	7,471,585	7,471,585
Malaysian Government Islamic papers	-	766,396	-	766,396	766,396
	<u>526,469</u>	<u>8,193,115</u>	<u>540,040</u>	<u>9,259,624</u>	<u>9,259,624</u>

Syarikat Takaful Malaysia Keluarga Berhad**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****28 Fair value information (continued)**

The 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.

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the identical financial assets or liabilities, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and profit cash flows, discounted at the market rate of profit 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.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

28 Fair value information (continued)

Level 3 fair value (continued)

The following table shows a reconciliation of Level 3 fair values:

	Family Takaful RM'000	General Takaful RM'000	Group RM'000
Institutional Trust Account			
As at 1 January 2023	382,872	54,958	511,757
Gains and losses recognised in profit or loss			
Investment income - realised	18,080	2,239	23,970
Gains and losses recognised in OCI			
Net change in fair value (unrealised)	<u>2,843</u>	<u>1,078</u>	<u>4,313</u>
As at 31 December 2023/ 1 January 2024	403,795	58,275	540,040
Maturities	-	102	102
Gains and losses recognised in profit or loss			
Investment income - realised	29,925	15,520	46,473
Gains and losses recognised in OCI			
Net change in fair value (unrealised)	<u>(1,694)</u>	<u>(269)</u>	<u>(2,344)</u>
As at 31 March 2024	<u>432,026</u>	<u>73,628</u>	<u>584,271</u>

29 Additional information

Takaful receivables (included within Takaful Contract Liabilities/ Assets)

The age analysis of Takaful receivables as at the end of the reporting period based on days past-due was as follows:

	Family Takaful		General Takaful		Group	
	31.03.2024	31.12.2023	31.03.2024	31.12.2023	31.03.2024	31.12.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Days past due</u>						
Current (not past due)	348,812	309,776	111,337	304,009	460,149	613,785
1-30 days	1,541	1,672	666	1,906	2,207	3,578
31-60 days	312	375	159	59	471	434
61-90 days	1,575	459	293	(5)	1,868	454
91-180 days	1,363	1,700	261	293	1,624	1,993
> 180 days	47	(27)	909	1,106	956	1,079
	<u>353,650</u>	<u>313,955</u>	<u>113,625</u>	<u>307,368</u>	<u>467,275</u>	<u>621,323</u>

The average credit terms of Takaful receivables granted to related parties and non-related parties are 12 months from the contractual due date. The recoverability of Takaful receivables which exceeds the average credit term is high especially after Letter of Demand is imposed on the debtors.

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

29 Additional information (continued)

Takaful receivables (included within Takaful Contract Liabilities/ Assets) (continued)

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

Material Impairment of Assets

Measurement of Expected Credit Loss (“ECL”)

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

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

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

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

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

EAD is the Group’s and the Company gross credit exposure to the counterparty at the time of default.

Forward-looking information is considered in determining the PD, EAD and LGD.

For ECL modelled on a collective basis, a grouping of exposures is performing on the basis of shared risks characteristics, such as risk exposure within a group are homogeneous. The characteristics and any data used to determine the groupings includes instrument type; credit rating band; type and seniority of claim; and class of business.

The appropriateness of groupings is monitored and reviewed on a periodic basis by credit control team.

The Group and the Company has elected to measure the impairment losses for Takaful receivables at an amount equal to lifetime ECL. The Group and the Company use an allowance matrix to measure ECLs of Takaful receivables. Loss rates are calculated using a “roll rate” method based on the probability of receivable. The loss rates are based on actual credit loss experience over the past three years.

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

Syarikat Takaful Malaysia Keluarga Berhad

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 Foreign exchange exposure/ hedging policy

Foreign exchange exposure is only in relation to investment in the Indonesian subsidiary, which is immaterial. Therefore, hedging policy is not applicable to the Group and the Company.

31 Derivatives

The Group and Company did not enter into any derivatives for the financial period ended 31 March 2024.

32 Gains/ losses arising from fair value change of financial liabilities

There were no gains/ losses arising from fair value changes of financial liabilities during the financial period ended 31 March 2024.

33 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 capital adequacy ratio of 130%. As at period end, the Company has a capital adequacy ratio in excess of the minimum requirement.

The capital structure of the Company as at 31 March 2024, as prescribed under the RBCT Framework is provided below:

	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
Tier 1 capital	2,808,301	2,681,349
Tier 2 capital	82,931	64,098
Amount deducted from capital	(575,278)	(598,380)
Total capital available	<u>2,315,954</u>	<u>2,147,067</u>

By Order of the Board

SUHLA AL ASRI

Company Secretary

SSM Practicing Certificate No. 201908002158

MAICSA 7025570

Kuala Lumpur, 27 May 2024