

SYARIKAT TAKAFUL MALAYSIA BERHAD

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS **QUARTER ENDED 31 March 2013**

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, and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and Shariah rulings and precepts.

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

The unaudited interim financial statements of the Group comprise the Company and its subsidiaries, and the Group's interest in an associate as at and for the quarter ended 31 March 2013. It also includes Takaful funds established in accordance with Takaful Act, 1984, 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 Takaful Act, 1984 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 2012. 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 2012.

2 Auditors' Report

The auditors' report on the audited financial statements of the preceding year ended 31 December 2012 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.

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4 Unusual Items

Save as disclosed in notes 14 and 15, there were no unusual items affecting assets, liabilities, equity, net income or cash flows in the current quarter ended 31 March 2013.

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 14 December 2012 declared a second interim dividend of 10% single tier in respect of the financial year ending 31 December 2012 and paid on 11 January 2013.

No dividend was declared for the current quarter under review.

8 Segmental Reporting

Geographical Segments

	Malaysia RM'000	Indonesia RM'000	Consolidated RM'000
3 months ended 31 March 2013			
Revenue from external participants	470,569	48,962	519,531
Profit before zakat and taxation	39,244	1,002	40,246
As at 31 March 2013			
Segment assets by location of assets	6,188,717	449,691	6,638,408
3 months ended 31 March 2012			
Revenue from external participants	385,297	43,748	429,045
Profit before zakat and taxation	38,833	(1,321)	27,512
As at 31 December 2012			
Segment assets by location of assets	5,946,218	425,426	6,371,644

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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 2012.

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 2012.

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 report.

14 Review of Performance

For the 1st quarter ended 31 March 2013, the Group generated Operating Revenue of RM519.5 million, an increase of 21.1% compared to RM429.0 million in the corresponding quarter of the preceding year. The increase is mainly attributable to higher sales generated by Family Takaful business.

For the quarter under review, Family Takaful recorded gross earned contributions of RM284.8 million against RM248.5 million for the same period last year and General Takaful generated gross earned contributions of RM112.8 million compared to RM96.8 million in the corresponding quarter of the preceding year. The Family Takaful recorded gross earned contribution growth of 14.6% for the 3 months period, mainly attributable to higher sales from Group Family products.

The surplus transfer in the quarter under review from Family Takaful was RM35.5 million as compared to RM56.1 million in the same period last year, while the surplus transfer from General Takaful was RM10.1 million as compared to RM12.8 million in the same period last year. The higher surplus transfer from Family Takaful in the same period last year is mainly due to the release of unearned contribution reserve arising from the change in reserving estimates from Group Family takaful products, whilst the General Takaful reported lower surplus transfer mainly due to shift to wakalah model products where margins are being transferred in the form of wakalah fee to Takaful Operator.

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14 Review of Performance (continued)

For the quarter under review, the Group recorded profit before zakat and taxation of RM40.2 million, increased by 7.2% as compared to RM37.5 million in the same period last year. The higher profit is also 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 Operating Revenue registered RM519.5 million as compared to preceding quarter of RM316.1 million. The higher operating revenue is attributable to higher contribution generated by both Family and General Takaful businesses.

16 Current Year Prospects

The Company will continue its "We Should Talk" marketing campaign to create more awareness of the "15% No Claim Rebate" value proposition in positioning Takaful Malaysia as the leading takaful operator in Malaysia. With the introduction of new products and services in 2013, the Company is expected to increase its market share while improving on shareholder value. The Company will also be looking at increasing the number of exclusive or preferred partnerships with major financial institutions to grow the bancatakaful business.

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 quarter mainly due to non-allowable expenses income in accordance with the Income Tax Act 1967.

	3 months ended	
	31.3.2013	31.3.2012
	RM'000	RM'000
Current tax expense:		
- Current financial period	11,764	8,670
Deferred tax benefits:		
- Current financial period	(3,972)	(2,188)
Total tax expense	<u>7,792</u>	<u>6,482</u>

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19 Status of Corporate Proposal

On 15 March 2013, Maybank Investment Bank Berhad ("Maybank IB") on behalf of Takaful Malaysia, announced that Takaful Malaysia proposes to establish and implement a long-term incentive plan of up to ten percent (10%) of the issued and paid-up share capital of Takaful Malaysia (excluding treasury shares, if any) at any point in time for the eligible employees and executive directors of Takaful Malaysia and its subsidiaries ("Proposed LTIP").

The Proposed LTIP is subject to the following approvals being obtained:

- i) Bursa Malaysia Securities Berhad ("Bursa Securities"), for the listing of and quotation for the new Takaful Malaysia shares to be issued pursuant to the Proposed LTIP on the Main Market of Bursa Securities, which was obtained vide its letter dated 1 April 2013;
- ii) shareholders of Takaful Malaysia at an extraordinary general meeting ("EGM") to be convened; and
- iii) any other relevant authorities, if required.

The Proposed LTIP is now pending the approval of the shareholders of Takaful Malaysia at an EGM to be convened.

Save for the above, there are no other corporate proposals announced but not completed, as at the reporting date.

20 Group Borrowings and Debt Securities

The Group does not have any borrowings and debt securities as at 31 March 2013.

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

		3 months ended	
		31.3.2013	31.3.2012
Owners of the Company	(RM'000)	<u>32,223</u>	<u>30,961</u>
Weighted average number of ordinary shares in issue	('000)	<u>162,817</u>	<u>162,817</u>
Basic earnings per share	(sen)	<u>19.79</u>	<u>19.02</u>

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23 Takaful Contract Liabilities (continued)

	31 March 2013		31 December 2012	
	Gross RM'000	Retakaful RM'000	Gross RM'000	Retakaful RM'000
		Net RM'000		Net RM'000
General Takaful Fund				
Provision for claims reported by participants	383,246	165,367	389,557	168,521
Provision for IBNR	215,381	139,329	194,952	133,509
			(221,036)	
			(61,443)	
Provision for outstanding claims	598,627	304,69	584,509	302,030
Provision for unearned contributions	302,789	232,994	295,439	223,142
			(72,297)	
	901,416	537,690	879,948	525,172
			(354,776)	
Unallocated surplus	205,868	205,868	209,283	209,283
AFS reserves	5,937	5,937	10,464	10,454
Translation reserves	1,065	1,065	1,048	1,048
Participants' fund	212,870	212,870	220,795	220,785
	1,114,286	750,560	1,100,743	745,957
			(354,776)	
			(354,776)	

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23 Takaful Contract Liabilities (continued)

Group	31 March 2013		31 December 2012		
	Gross RM'000	Retakaful RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
Provision for claims reported by participants	412,936	(220,748)	417,944	(224,743)	193,201
Provision for IBNR	341,329	(94,110)	315,130	(76,407)	238,723
Provision for outstanding claims	754,265	(314,858)	733,074	(301,150)	431,924
Provision for unearned contributions	302,789	(69,795)	295,439	(72,297)	223,142
	1,057,054	(384,653)	1,028,513	(373,447)	655,066
Actuarial liabilities	3,557,074	(108,994)	3,274,935	(63,856)	3,211,079
Unallocated surplus	794,182	-	890,337	-	890,337
AFS reserves	66,995	-	107,790	-	107,790
Translation reserves	1,437	-	160,117	-	160,117
Net asset value attributable to unitholders	168,508	-	1,407	-	1,407
Actuarial liabilities	4,588,196	(108,994)	4,434,586	(63,856)	4,370,730
	5,645,250	(493,647)	5,463,099	(437,303)	5,025,796

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23 Takaful Contract Liabilities (continued)

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

	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2012	3,935,483	(64,808)	3,870,675	184,039	-	184,039	4,081,300	(64,808)	4,016,492
Net earned contributions	987,661	(46,869)	940,792	335,174	-	335,174	1,322,835	(46,869)	1,275,966
Investment income	186,381	-	186,381	31,031	-	31,031	217,412	-	217,412
Realised gains and (losses)	98,082	-	98,082	13,508	-	13,508	111,590	-	111,590
Fair value gains and (losses)	10,634	-	10,634	(306)	-	(306)	10,328	-	10,328
Other operating income	6,587	-	6,587	5,675	-	5,675	12,262	-	12,262
Net benefits and claims	(530,420)	40,233	(490,187)	(172,553)	-	(172,553)	(702,973)	40,233	(662,740)
Fees deducted (net)	(195,496)	-	(195,496)	(80,600)	-	(80,600)	(276,096)	-	(276,096)
Other operating expenses	(12,722)	-	(12,722)	(5,319)	-	(5,319)	(18,041)	-	(18,041)
Profit paid to participants	(2,330)	-	(2,330)	(27,558)	-	(27,558)	(29,888)	-	(29,888)
Increase in actuarial liabilities	(14,309)	489	(13,820)	-	-	-	(14,309)	489	(13,820)
Profit attributable to the Takaful Operator	(135,816)	6,636	(129,180)	(61,833)	-	(61,833)	(200,407)	6,636	(193,771)
Change in AFS reserve	(13,384)	-	(13,384)	1,084	-	1,084	(12,300)	-	(12,300)
Withholding tax	(41,036)	-	(41,036)	(1,773)	-	(1,773)	(42,809)	-	(42,809)
Effect of movement in exchange rates	(24,544)	463	(24,081)	226	-	226	(24,318)	463	(23,855)
At 31 December 2012	4,254,771	(63,856)	4,190,915	220,795	-	220,795	4,434,586	(63,856)	4,370,730

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23 Takaful Contract Liabilities (continued)

	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000	Gross RM'000	Retakaful RM'000	Net RM'000
At 1 January 2013	4,254,771	(63,856)	4,190,915	220,795	-	220,795	4,434,586	(63,856)	4,370,730
Net earned contributions	284,811	(11,679)	273,132	79,152	-	79,152	363,963	(11,679)	352,284
Investment income	45,727	-	45,727	7,266	-	7,266	52,993	-	52,993
Realised gains and (losses)	29,081	-	29,081	2,261	-	2,261	31,342	-	31,342
Fair value gains and (losses)	(326)	-	(326)	-	-	-	(326)	-	(326)
Other operating income	12	-	12	180	-	180	192	-	192
Net benefits and claims	(131,981)	11,499	(120,482)	(38,339)	-	(38,339)	(170,320)	11,499	(158,821)
Fees deducted (net)	(81,194)	-	(81,194)	(35,222)	-	(35,222)	(116,416)	-	(116,416)
Other operating expenses	(2,472)	-	(2,472)	(1,670)	-	(1,670)	(4,142)	-	(4,142)
Profit paid to participants	(28)	-	(28)	(5,750)	-	(5,750)	(5,778)	-	(5,778)
Increase in actuarial liabilities	103,917	(45,150)	58,767	-	-	-	104,131	(45,150)	58,981
Profit attributable to the Takaful Operator	(35,262)	180	(35,082)	(10,158)	-	(10,158)	(45,420)	180	(45,240)
Change in AFS reserve	(36,268)	-	(36,268)	(4,527)	-	(4,527)	(40,795)	-	(40,795)
Withholding tax	(15,550)	-	(15,550)	(1,135)	-	(1,135)	(16,685)	-	(16,685)
Effect of movement in exchange rates	854	12	866	17	-	17	871	12	883
At 31 March 2013	4,416,092	(108,994)	4,307,098	212,870	-	212,870	4,588,196	(108,994)	4,479,202

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24 Takaful Operator Income

The takaful operator income consists of the following:

	Takaful Operator 3 months ended	
	31.3.2013	31.3.2012
	RM'000	RM'000
Surplus transfer from:		
Family Takaful Fund	35,535	56,110
General Takaful Fund	10,100	12,823
Wakalah fee income	123,090	47,200
Total Takaful Operator income	168,725	116,133

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	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income	110	215	1,740	2,056	223	283	746	1,139
Dividend income	924	887	3,639	4,042	862	579	5,425	5,508
Profit income	3,725	3,456	42,235	39,364	6,855	6,655	52,815	49,475
Accretion / (Amortisation)	(192)	(116)	(1,359)	(985)	(536)	(480)	(2,087)	(1,581)
Investment expenses	(169)	(175)	(528)	(689)	(138)	(153)	(546)	(692)
	4,398	4,267	45,727	43,788	7,266	6,884	56,353	53,849

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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	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Service charged and management fee	1,691	1,448	-	-	-	-	450	281
Gain on foreign exchange	-	122	-	-	4	6	4	128
Writeback of allowance for impaired debts	-	-	-	1,146	-	391	-	1,537
Writeback of allowance for impaired financing	-	8	-	518	-	17	-	543
Gain on disposal of assets	148	8	-	-	-	-	148	8
Other income	874	336	12	185	176	11	1,061	532
	<u>2,713</u>	<u>1,922</u>	<u>12</u>	<u>1,849</u>	<u>180</u>	<u>425</u>	<u>1,663</u>	<u>3,029</u>

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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	
	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012	31.3.2013	31.3.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Depreciation	(2,721)	(2,690)	-	-	-	-	(3,715)	(2,690)
Impairment losses	(184)	(578)	(757)	(1,646)	(346)	(922)	(1,287)	(3,146)
Loss from foreign exchange	-	-	-	-	-	(96)	-	(96)
Commission	(40,538)	(19,666)	(42)	(2,738)	(10)	(6,659)	(40,560)	(29,063)
Agency related expenses	(976)	(249)	-	-	-	-	(976)	(249)
Allowance for impaired debts	-	-	(689)	-	(1,046)	-	(1,735)	-
Other expenses	(833)	(62)	(984)	(1,077)	(269)	(947)	(1,264)	(2,086)
	<u>(45,252)</u>	<u>(23,245)</u>	<u>(2,472)</u>	<u>(5,461)</u>	<u>(1,671)</u>	<u>(8,624)</u>	<u>(49,537)</u>	<u>(37,330)</u>

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28 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.

29 **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 2013, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of the Bursa Malaysia Main Market Listing Requirements, are as follows:

	As at 31.3.2013 RM'000	As at 31.12.2012 RM'000
Total retained profits of the Group		
Realised	289,540	261,790
Unrealised	43,261	39,289
	<hr/> 332,801	<hr/> 301,079
Total share of retained profits of associates:		
Realised	-	-
Unrealised	-	-
	<hr/> 332,801	<hr/> 301,079
Add: Consolidation adjustments	27,722	27,221
	<hr/> 360,523	<hr/> 328,300
Total retained profits as per statements of financial position	<hr/> 360,523	<hr/> 328,300

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 Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

By Order of the Board

MOHAMAD ASRI BIN HAJI YUSOFF

Company Secretary (MIA 14171)
Kuala Lumpur, 22 May 2013